

**ALAMO HEIGHTS INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014**



## INTRODUCTORY SECTION

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014

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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, 2014, at a meeting of the board of trustees of such school district on the 18 day of DECEMBER, 2014

  
Signature of Board Secretary

  
Signature of Board President



## FINANCIAL SECTION

SHAREHOLDERS:

Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

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, 2014, 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, 2014, 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 and the budgetary comparison schedule 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*) and other information (schedule of delinquent taxes receivable and schedule of expenditures for computation of indirect cost) 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 schedule of delinquent taxes receivable 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 October 31, 2014 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.

October 31, 2014



## 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, 2014. Please read it in conjunction with the independent auditors' report, and the District's Basic Financial Statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's net position decreased by \$1.5 million as a result of this year's operations: business-type activities increased by \$50 thousand and governmental activities decreased by \$1.5 million.
- During the year, the District had expenses that were \$1.5 million more than the \$77.0 million generated in tax and other revenues for governmental programs.
- In the District's business-type activities, revenues decreased to \$241 thousand (34%) while expenses decreased to \$248 thousand (39%). These decreases were primarily a decrease in tennis center activities.
- Total cost of all of the District's programs increased \$1.0 million (1%) with no major changes in programs.
- The General Fund ended the year with a fund balance of \$12.9 million, a 4% increase.
- The expenditures for the 2013-2014 school year were \$365 thousand less than budgeted for in the General Fund. This is the result of lower than expected payments to the Texas Education Agency to support other Districts.
- The District issued \$3.2 million in new bonds in 2014 to complete the capital projects authorized in the 2010 bond election. As a part of that issue, the District also issued \$6.785 million of refunding bonds to save the district a present value of \$1.2 million.

#### **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 under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). 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 decreased from \$2.7 million to \$1.2 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 \$8.1 million at August 31, 2014.

In 2014, net position of our business-type activities increased from \$56 thousand to \$105 thousand.

A summarized statement of net position follows:

	August 31, 2014			August 31, 2013
	Governmental Activities	Business-type Activities	Total	Total
Current and Other Assets	\$ 23,810,712	\$ 105,221	\$ 23,915,933	\$ 22,333,927
Capital Assets	85,432,400	-	85,432,400	89,271,422
<i>Total Assets</i>	<u>109,243,112</u>	<u>105,221</u>	<u>109,348,333</u>	<u>111,605,349</u>
<i>Deferred Inflows</i>	<u>1,548,495</u>	<u>-</u>	<u>1,548,495</u>	<u>1,948,674</u>
Current Liabilities	2,967,177	-	2,967,177	2,574,945
Long-Term Liabilities	106,643,115	-	106,643,115	108,200,109
<i>Total Liabilities</i>	<u>109,610,292</u>	<u>-</u>	<u>109,610,292</u>	<u>110,775,054</u>
Net Investment in Capital Assets	(9,952,617)	-	(9,952,617)	(13,841,387)
Restricted	3,036,624	-	3,036,624	2,855,502
Unrestricted	8,097,308	105,221	8,202,529	13,764,854
<i>Total Net Position</i>	<u>\$ 1,181,315</u>	<u>\$ 105,221</u>	<u>\$ 1,286,536</u>	<u>\$ 2,778,969</u>

The District's total revenues remained relatively unchanged. Increases in the property tax rates offset losses in state funding.

The cost of all governmental activities this year was \$78.4 million compared to \$77.4 million last year. The amount that our taxpayers ultimately financed for these activities through District taxes was \$63 million while some of the costs were paid by those who directly benefited from the programs (\$2.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.9 million).

A summarized statement of activities follows:

	2014			2013
	Governmental Activities	Business-type Activities	Total	Total
<i>Program Revenues:</i>				
Charges for Services	\$ 2,961,453	\$ 240,714	\$ 3,202,167	\$ 3,477,747
Operating Grants & Contributions	4,113,999	-	4,113,999	3,510,507
Capital Grants & Contributions	50,000	-	50,000	-
<i>General Revenues:</i>				
Property Taxes	62,985,465	-	62,985,465	59,923,649
General Grants	5,774,544	-	5,774,544	6,840,944
Investment Earnings	49,266	-	49,266	96,512
Miscellaneous	1,026,364	-	1,026,364	483,063
<i>Total Revenues</i>	<u>76,961,091</u>	<u>240,714</u>	<u>77,201,805</u>	<u>74,332,422</u>
<i>Expenses</i>				
Instruction	30,751,057	-	30,751,057	28,484,340
Instructional Resources and Media	714,551	-	714,551	669,270
Curriculum and Staff Development	665,827	-	665,827	497,503
Instructional Leadership	919,937	-	919,937	837,811
School Leadership	2,596,450	-	2,596,450	2,493,605
Guidance, Counseling, & Evaluation	1,349,837	-	1,349,837	1,327,768
Social Work Services	217,426	-	217,426	212,806
Health Services	349,415	-	349,415	332,348
Student transportation	933,921	-	933,921	861,779
Food Services	1,550,279	-	1,550,279	1,723,659
Cocurricular/Extracurricular Activities	3,272,705	-	3,272,705	3,259,051
General Administration	1,855,724	-	1,855,724	1,758,081
Plant Maintenance and Operations	3,895,449	-	3,895,449	3,869,709
Security and Monitoring	-	-	-	4,105
Data Processing Services	962,356	-	962,356	1,188,373
Community Services	23,305	-	23,305	28,053
Interest on Long-Term Debt	3,393,061	-	3,393,061	3,759,113
Bond Issuance Costs and Fees	194,180	-	194,180	1,294,233
Facilities Acquisition and Construction	1,069,704	-	1,069,704	1,617,751
Contracted Instructional Services	23,713,029	-	23,713,029	23,236,510
Payments to Juvenile Justice Programs	18,204	-	18,204	6,793
Enterprising Activities	-	247,821	247,821	406,905
<i>Total Expenses</i>	<u>78,446,417</u>	<u>247,821</u>	<u>78,694,238</u>	<u>77,869,566</u>
Transfers	(56,711)	56,711	-	-
<i>Increase (Decrease) in Net Position</i>	<u>\$ (1,542,037)</u>	<u>\$ 49,604</u>	<u>\$ (1,492,433)</u>	<u>\$ (3,537,144)</u>

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$19.8 million, which was an increase of \$1.2 million.

Over the course of the year, the Board of Trustees revised the District's budget. The General Fund expenditures were \$365 thousand less than the final budgeted appropriations. This was primarily the result of lower than expected payments to TEA to fund other districts.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *Capital Assets*

At the end of 2014, the District had \$85.4 million (net) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The most significant addition this year were new solar panels.

### *Debt*

At year-end, the District had \$106.6 million in bonds outstanding versus \$108.2 million from the prior year. The district issued the final \$3.2 million from the \$44 million authorized in 2010. Another \$6.785 million was issued to refund older bonds with higher interest rates.

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

The District's M&O budget for the fiscal-year 2015 increased by 3.3% while the state will recapture almost 9% of additional tax collections. The District's taxable property values however did increase by 4.4%. The total budget with recapture will be \$66 million with a projected deficit of \$782,000. The overall tax rate for the district will be reduced by 1.3 cents, all coming from the debt service side of the rate. With a pending appeal to the Supreme Court on school finance, we see little financial relief to school finance in the upcoming legislative session.

## **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, 2014

		1	2	3	4
Data Control Codes		Primary Government			Component Unit
		Governmental Activities	Business-type Activities	Total	AH School Foundation
	<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 15,013,530	\$ 56,507	\$ 15,070,037	\$ 410,857
1120	Current Investments	6,092,056	-	6,092,056	6,474,056
1225	Property Taxes Receivable (Net)	1,355,024	-	1,355,024	-
1240	Due from Other Governments	903,834	-	903,834	-
1290	Other Receivables (Net)	53,449	48,714	102,163	125,192
1300	Inventory	74,097	-	74,097	-
1410	Prepaid Expenses	318,722	-	318,722	4,715
	<i>Capital Assets:</i>				
1510	Land	2,900,273	-	2,900,273	-
1520	Buildings and Improvements, Net	80,564,518	-	80,564,518	-
1531	Vehicles, Net	766,506	-	766,506	-
1539	Furniture and Equipment, Net	1,201,103	-	1,201,103	25,325
1000	<i>Total Assets</i>	<u>109,243,112</u>	<u>105,221</u>	<u>109,348,333</u>	<u>7,040,145</u>
	<b>DEFERRED OUTFLOWS:</b>				
1700	Deferred Loss on Debt Refunding	<u>1,548,495</u>	<u>-</u>	<u>1,548,495</u>	<u>-</u>
1700	<i>Total Deferred Outflows</i>	<u>1,548,495</u>	<u>-</u>	<u>1,548,495</u>	<u>-</u>
	<b>LIABILITIES:</b>				
2110	Accounts Payable	758,380	-	758,380	51,960
2140	Interest Payable	312,475	-	312,475	-
2160	Accrued Wages	1,130,653	-	1,130,653	15,184
2180	Due to Other Governments	240,725	-	240,725	-
2300	Unearned Revenue	524,944	-	524,944	15,000
	<i>Noncurrent Liabilities:</i>				
2501	Due Within One Year	4,694,903	-	4,694,903	-
2502	Due in More Than One Year	<u>101,948,212</u>	<u>-</u>	<u>101,948,212</u>	<u>-</u>
2000	<i>Total Liabilities</i>	<u>109,610,292</u>	<u>-</u>	<u>109,610,292</u>	<u>82,144</u>
	<b>NET POSITION:</b>				
3200	Net Investment in Capital Assets	(9,952,617)	-	(9,952,617)	25,325
	Restricted For:				
3800	State and Federal Programs	92,241	-	92,241	-
3800	Debt Service	1,413,631	-	1,413,631	-
3800	Permanently Restricted Donations	-	-	-	4,425,240
3800	Campus Activities and Donations	1,530,752	-	1,530,752	1,449,384
3900	Unrestricted	<u>8,097,308</u>	<u>105,221</u>	<u>8,202,529</u>	<u>1,058,052</u>
3000	<i>Total Net Position</i>	<u>\$ 1,181,315</u>	<u>\$ 105,221</u>	<u>\$ 1,286,536</u>	<u>\$ 6,958,001</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, 2014

Data Control Codes	Functions/Programs	1	3	4
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
	<b>PRIMARY GOVERNMENT:</b>			
	<b>Governmental Activities:</b>			
11	Instruction	\$ 30,751,057	\$ 868,723	\$ 1,564,003
12	Instructional Resources and Media Services	714,551	-	1,986
13	Curriculum and Staff Development	665,827	-	45,928
21	Instructional Leadership	919,937	-	-
23	School Leadership	2,596,450	-	1,168
31	Guidance, Counseling, & Evaluation Services	1,349,837	-	7,223
32	Social Work Services	217,426	-	1,439
33	Health Services	349,415	-	469,197
34	Student transportation	933,921	-	-
35	Food Services	1,550,279	724,967	1,224,759
36	Cocurricular/Extracurricular Activities	3,272,705	1,367,763	779,384
41	General Administration	1,855,724	-	-
51	Plant Maintenance and Operations	3,895,449	-	-
53	Data Processing Services	962,356	-	6,786
61	Community Services	23,305	-	12,126
72	Interest on Long-Term Debt	3,393,061	-	-
73	Bond Issuance Costs and Fees	194,180	-	-
81	Facilities Acquisition and Construction	1,069,704	-	-
91	Contracted Instructional Services	23,713,029	-	-
95	Payments to Juvenile Justice Programs	18,204	-	-
TG	Total Governmental Activities	<u>78,446,417</u>	<u>2,961,453</u>	<u>4,113,999</u>
	<b>Business-Type Activities:</b>			
01	Excel After School Program	47,044	80,051	-
02	Aquatic Center	13,097	29,657	-
03	Tennis Center	138,966	82,292	-
04	Cambridge After School Program	48,714	48,714	-
TB	Total Business-type Activities	<u>247,821</u>	<u>240,714</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 78,694,238</u>	<u>\$ 3,202,167</u>	<u>\$ 4,113,999</u>
	<b>COMPONENT UNIT:</b>			
1C	Alamo Heights School Foundation	<u>\$ 1,141,090</u>	<u>\$ 64,435</u>	<u>\$ 1,109,725</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 Revenues	Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
\$ -	\$ (28,318,331)		\$ (28,318,331)	
-	(712,565)		(712,565)	
-	(619,899)		(619,899)	
-	(919,937)		(919,937)	
-	(2,595,282)		(2,595,282)	
-	(1,342,614)		(1,342,614)	
-	(215,987)		(215,987)	
-	119,782		119,782	
-	(933,921)		(933,921)	
-	399,447		399,447	
50,000	(1,075,558)		(1,075,558)	
-	(1,855,724)		(1,855,724)	
-	(3,895,449)		(3,895,449)	
-	(955,570)		(955,570)	
-	(11,179)		(11,179)	
-	(3,393,061)		(3,393,061)	
-	(194,180)		(194,180)	
-	(1,069,704)		(1,069,704)	
-	(23,713,029)		(23,713,029)	
-	(18,204)		(18,204)	
<u>50,000</u>	<u>(71,320,965)</u>		<u>(71,320,965)</u>	
-		\$ 33,007	33,007	
-		16,560	16,560	
-		(56,674)	(56,674)	
-		-	-	
-		<u>(7,107)</u>	<u>(7,107)</u>	
<u>\$ 50,000</u>			<u>(71,328,072)</u>	
<u>\$ -</u>				<u>\$ 33,070</u>
	54,810,191	-	54,810,191	-
	8,175,274	-	8,175,274	-
	49,266	-	49,266	940,755
	5,774,544	-	5,774,544	-
	1,026,364	-	1,026,364	-
	(56,711)	56,711	-	-
	<u>69,778,928</u>	<u>56,711</u>	<u>69,835,639</u>	<u>940,755</u>
	(1,542,037)	49,604	(1,492,433)	973,825
	2,723,352	55,617	2,778,969	5,984,176
	<u>\$ 1,181,315</u>	<u>\$ 105,221</u>	<u>\$ 1,286,536</u>	<u>\$ 6,958,001</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 8,330,895	\$ 1,563,178	\$ 3,939,315
1120 Current Investments	6,092,056	-	-
1225 Taxes Receivable, Net	1,197,326	157,698	-
1240 Due from Other Governments	374,454	5,230	-
1290 Other Receivables	53,449	-	-
1300 Inventory	40,992	-	-
1410 Prepaid Items	269,840	-	-
1000 <i>Total Assets</i>	<u>\$ 16,359,012</u>	<u>\$ 1,726,106</u>	<u>\$ 3,939,315</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<i>Liabilities:</i>			
2110 Accounts Payable	\$ 436,113	\$ -	\$ 235,745
2160 Accrued Wages Payable	1,130,653	-	-
2180 Due to Other Governments	240,714	-	-
2300 Unearned Revenue	448,190	-	-
2000 <i>Total Liabilities</i>	<u>2,255,670</u>	<u>-</u>	<u>235,745</u>
<i>Deferred Inflows of Resources:</i>			
2600 Unavailable Property Tax Revenue	<u>1,197,326</u>	<u>157,698</u>	<u>-</u>
<i>Fund Balance:</i>			
<i>Nonspendable:</i>			
3410 Inventory	40,992	-	-
3430 Prepaid Items	269,840	-	-
<i>Restricted Fund Balances:</i>			
3450 Federal and State Grants	-	-	-
3470 Capital Acquisitions	-	-	3,703,570
3480 Retirement of Long-Term Debt	-	1,568,408	-
3490 Other Restrictions of Fund Balance	-	-	-
3600 <i>Unassigned</i>	12,595,184	-	-
3000 <i>Total Fund Balances</i>	<u>12,906,016</u>	<u>1,568,408</u>	<u>3,703,570</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 16,359,012</u>	<u>\$ 1,726,106</u>	<u>\$ 3,939,315</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

Other Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 1,180,143	\$ 15,013,531
-	6,092,056
-	1,355,024
524,149	903,833
-	53,449
33,105	74,097
48,882	318,722
<u>\$ 1,786,279</u>	<u>\$ 23,810,712</u>
\$ 86,521	\$ 758,379
-	1,130,653
11	240,725
<u>76,755</u>	<u>524,945</u>
<u>163,287</u>	<u>2,654,702</u>
<u>-</u>	<u>1,355,024</u>
33,105	74,097
48,882	318,722
29,741	29,741
-	3,703,570
-	1,568,408
1,530,751	1,530,751
<u>(19,487)</u>	<u>12,575,697</u>
<u>1,622,992</u>	<u>19,800,986</u>
<u>\$ 1,786,279</u>	<u>\$ 23,810,712</u>



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2014

<b>TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b>	\$ 19,800,986
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.	85,432,400
Deferred inflows of resources are not available to pay for current-period expenditures and therefore, are deferred in the funds.	1,355,024
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds.	(106,643,115)
Losses on debt refundings do not consume current financial resources and are not reported in the funds.	1,548,495
Accrued interest payable on long-term bonds is not due and payable in the current period, and therefore, not reported in the funds.	<u>(312,475)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 1,181,315</u></u>

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, 2014

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$57,554,625	\$ 8,179,187	\$ 4,235
5800	State Program Revenues	5,259,193	-	-
5900	Federal Program Revenues	535,273	-	-
5020	<i>Total Revenues</i>	<u>63,349,091</u>	<u>8,179,187</u>	<u>4,235</u>
<b>EXPENDITURES:</b>				
0011	Instruction	24,774,425	-	-
0012	Instructional Resources and Media Services	475,455	-	-
0013	Curriculum and Staff Development	583,209	-	-
0021	Instructional Leadership	919,937	-	-
0023	School Leadership	2,123,304	-	-
0031	Guidance, Counseling, & Evaluation Services	1,307,611	-	-
0032	Social Work Services	214,838	-	-
0033	Health Services	320,182	-	-
0034	Student Transportation	844,318	-	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	1,149,443	-	-
0041	General Administration	1,807,264	-	-
0051	Plant Maintenance and Operations	3,834,709	-	-
0053	Data Processing Services	706,066	-	-
0061	Community Services	1,493	-	-
0071	Principal on Long-Term Debt	-	11,106,549	-
0072	Interest on Long-Term Debt	-	3,795,098	-
0073	Bond Issuance Costs and Fees	-	194,180	-
0081	Facilities Acquisition and Construction	-	-	2,697,278
0091	Contracted Instructional Services			
	Between Public Schools	23,713,029	-	-
0095	Payments to Juvenile Justice Programs	18,204	-	-
6030	<i>Total Expenditures</i>	<u>62,793,487</u>	<u>15,095,827</u>	<u>2,697,278</u>
1100	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>555,604</u>	<u>(6,916,640)</u>	<u>(2,693,043)</u>
<b>Other Financing Sources and (Uses)</b>				
7911	Proceeds from Bonds Issued	-	6,785,000	3,200,000
7916	Premium on Issuance of Bonds	-	363,242	-
8911	Transfers Out	(56,711)	-	-
7080	Total Other Financing Sources and (Uses)	<u>(56,711)</u>	<u>7,148,242</u>	<u>3,200,000</u>
1200	Net Change in Fund Balances	498,893	231,602	506,957
0100	Fund Balances - Beginning	12,407,123	1,336,806	3,196,613
3000	Fund Balances - Ending	<u>\$12,906,016</u>	<u>\$ 1,568,408</u>	<u>\$ 3,703,570</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

Other Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 2,734,931	\$ 68,472,978
751,392	6,010,585
1,941,496	2,476,769
<u>5,427,819</u>	<u>76,960,332</u>
2,813,400	27,587,825
3,573	479,028
82,618	665,827
-	919,937
2,101	2,125,405
12,993	1,320,604
2,588	217,426
-	320,182
-	844,318
1,242,551	1,242,551
1,283,131	2,432,574
-	1,807,264
-	3,834,709
12,207	718,273
21,812	23,305
-	11,106,549
-	3,795,098
-	194,180
2,415	2,699,693
-	23,713,029
-	18,204
<u>5,479,389</u>	<u>86,065,981</u>
<u>(51,570)</u>	<u>(9,105,649)</u>
-	9,985,000
-	363,242
-	(56,711)
-	10,291,531
(51,570)	1,185,882
<u>1,674,562</u>	<u>18,615,104</u>
<u>\$ 1,622,992</u>	<u>\$ 19,800,986</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, 2014

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 1,185,882

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. (3,839,022)

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. (49,242)

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 of New Debt	(9,985,000)	
Premiums on New Debt	(363,242)	
Principal Payments	11,106,549	
Payments of Accreted Interest	48,451	
	806,758	806,758

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	3,530	
Accreted Interest	(23,446)	
Amortization of Losses on Debt Refundings	(129,152)	
Amortization of Bond Premiums	502,655	
	353,587	353,587

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ (1,542,037)

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
AUGUST 31, 2014

Data Control Codes		Nonmajor Enterprise Funds
	<b>ASSETS:</b>	
	<i>Current Assets:</i>	
1110	Cash and Cash Equivalents	\$ 56,507
1290	Other Receivables	48,714
1000	<i>Total Assets</i>	<u>105,221</u>
	<b>LIABILITIES:</b>	
	<i>Current Liabilities</i>	
2110	Accounts Payable	<u>-</u>
2000	<i>Total Liabilities</i>	<u>-</u>
	<b>NET POSITION:</b>	
3900	Unrestricted	105,221
3000	<i>Total Net Position</i>	<u>\$ 105,221</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, 2014

Data Control Codes		Nonmajor Enterprise Funds
	<b>OPERATING REVENUES:</b>	
5700	Local and Intermediate Sources	\$ 240,714
5020	<i>Total Revenues</i>	<u>240,714</u>
	<b>OPERATING EXPENSES:</b>	
0011	Instruction	95,758
0036	Cocurricular/Extracurricular Activities	152,063
6030	<i>Total Expenses</i>	<u>247,821</u>
	Income (Loss) before Contributions and Transfers	(7,107)
7915	Transfers In	<u>56,711</u>
1300	Change in Net Position	49,604
0100	Total Net Position - Beginning	55,617
3300	Total Net Position - Ending	<u><u>\$ 105,221</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, 2014

	Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 192,000
Cash Payments to Employees for Services	(161,716)
Cash Payments to Other Suppliers for Goods and Services	(86,546)
Net Cash Provided (Used) by Operating Activities	<u>(56,262)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers From (To) Governmental Funds	56,711
Net Cash Provided (Used) by Noncapital Financing Activities	<u>56,711</u>
Net Increase (Decrease) in Cash and Cash Equivalents	449
Cash and Cash Equivalents at Beginning of Year	56,058
Cash and Cash Equivalents at End of Year	<u><u>\$ 56,507</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (7,107)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(48,714)
Increase (Decrease) in Accounts Payable	(441)
<i>Total Adjustments</i>	<u>(49,155)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (56,262)</u></u>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
AUGUST 31, 2014

Data Control Codes		Private Purpose Trust Funds	Agency Funds
	<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 107,006	\$ 108,142
1000	<i>Total Assets</i>	<u>107,006</u>	<u>108,142</u>
	<b>LIABILITIES:</b>		
	<i>Current Liabilities</i>		
2110	Accounts Payable	-	6,340
2190	Due to Student Groups	-	101,802
2000	<i>Total Liabilities</i>	<u>-</u>	<u>108,142</u>
	<b>NET POSITION</b>		
3000	<i>Total Net Position</i>	<u>\$ 107,006</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, 2014

	Private Purpose Trust Funds
<b>Additions:</b>	
Investment Income	\$ 31
Contributions	5,110
Total Additions	<u>5,141</u>
<b>Deductions:</b>	
Scholarship Awards	<u>14,000</u>
Total Deductions	<u>14,000</u>
<b>Change in Net Position</b>	(8,859)
Net Position - Beginning of Year	<u>115,865</u>
Net Position - End of Year	<u><u>\$ 107,006</u></u>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014

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, 2014

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, 2014

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. 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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

c. 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 \$49,889 and \$6,571 for the General and Debt Service Funds, respectively.

d. 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:

Asset Class	Estimated Useful Lives
Buildings and Improvements	5-40
Vehicles	10
Equipment	3-25

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, 2014

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

f. 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.

g. 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.

h. 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.

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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

i. 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.

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.

j. Use of Estimates

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

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

k. 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

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

1. Cash Deposits:

At August 31, 2014, the carrying amount of the District's deposits (checking and savings accounts) was \$851,661 and the bank balance was \$1,592,957. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014, were entirely covered by FDIC insurance and pledged collateral. At year end, the District also had eight certificates of deposit at various institutions (listed in the following note) that were fully insured by FDIC.

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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

B. Deposits and Investments (Continued)

2. Investments (Continued):

The District's investments at August 31, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Local Government Debt Securities	204	\$ 2,752,138
Federal Government Debt Securities	583	1,200,007
Certificates of Deposit	273	2,139,911
Total Investments		<u>\$ 6,092,056</u>

The Foundation invests in debt and equity securities, which are reported at fair value. The investments held at their fiscal year end were as follows:

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Cash Equivalents	\$ 111,187
Equity Securities	6,362,869
Total Investments	<u>\$ 6,474,056</u>

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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

B. Deposits and Investments (Continued)

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

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.

Investment Accounting Policy

The District's investments are reported at fair value except for short-term certificates of deposit with a maturity of one year or less and public funds investment pools. Short-term certificates of deposit are recorded at amortized cost. 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, because the share price is kept as close to \$1 as possible, which creates a money market type account. As of August 31, 2014, the District was invested in the following Pools:

<u>Local Government Investment Pool</u>	<u>Rating</u>	<u>Fair Value</u>
Texpool	AAAm	\$ 1,490,150
Texas TERM - TexasDAILY	AAAm	68
Texas Class	AAAm	12,935,467
Total Investments		<u>\$ 14,425,685</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

C. Interfund Balances and Activities

Transfers between funds during the year ending August 31, 2014 were the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Enterprise Funds	\$ 56,711	Supplement other funding
	Total	<u>\$ 56,711</u>	

D. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,900,273	\$ -	\$ -	\$ 2,900,273
<i>Total Capital Assets Not Being Depreciated</i>	<u>2,900,273</u>	<u>-</u>	<u>-</u>	<u>2,900,273</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	135,652,772	1,633,328	-	137,286,100
Equipment	5,197,485	-	-	5,197,485
Vehicles	2,005,529	50,000	-	2,055,529
<i>Total Capital Assets Being Depreciated</i>	<u>142,855,786</u>	<u>1,683,328</u>	<u>-</u>	<u>144,539,114</u>
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(51,545,840)	(5,175,742)	-	(56,721,582)
Equipment	(3,768,385)	(227,997)	-	(3,996,382)
Vehicles	(1,170,412)	(118,611)	-	(1,289,023)
<i>Total Accumulated Depreciation</i>	<u>(56,484,637)</u>	<u>(5,522,350)</u>	<u>-</u>	<u>(62,006,987)</u>
Total Capital Assets Being Depreciated, Net	<u>86,371,149</u>	<u>(3,839,022)</u>	<u>-</u>	<u>82,532,127</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 89,271,422</u>	<u>\$ (3,839,022)</u>	<u>\$ -</u>	<u>\$ 85,432,400</u>

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

11 Instruction	\$ 3,163,232
12 Instructional Resources and Media Services	235,523
23 School Leadership	471,045
31 Guidance, Counseling, & Evaluation Services	29,233
33 Health Services	29,233
34 Student Transportation	89,603
35 Food Services	307,728
36 Cocurricular/Extracurricular Activities	840,131
41 General Administration	48,460
51 Plant Maintenance and Operations	60,740
53 Data Processing Services	244,083
81 Facilities Acquisition	3,339
	<u>\$ 5,522,350</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2014, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Unlimited Tax School					
Building Bonds	\$ 38,462,603	\$ -	\$ (391,549)	\$ 38,071,054	\$ 486,054
Refunding Bonds	12,000,000	620,000	(1,840,000)	10,780,000	2,015,000
Building/Refunding Bonds	51,895,000	9,365,000	(8,875,000)	52,385,000	1,790,000
Unamortized Premiums	5,782,575	363,242	(773,682)	5,372,135	368,923
Accreted Interest	59,931	23,446	(48,451)	34,926	34,926
<i>Total Governmental Activities</i>	<u>\$108,200,109</u>	<u>\$ 10,371,688</u>	<u>\$ (11,928,682)</u>	<u>\$106,643,115</u>	<u>\$ 4,694,903</u>

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

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

Unlimited Tax School Refunding Bonds have interest rates of 0.4-4.0%.

2. Debt Service requirements on bonded debt at August 31, 2014, are as follows:

Year Ending August 31,	Principal	Interest	Total
2015	\$ 4,291,054	\$ 3,629,586	\$ 7,920,640
2016	4,480,000	3,438,470	7,918,470
2017	4,625,000	3,295,793	7,920,793
2018	4,765,000	3,148,592	7,913,592
2019	4,920,000	3,000,610	7,920,610
2020-2024	27,410,000	12,308,765	39,718,765
2025-2029	30,975,000	7,672,522	38,647,522
2030-2033	19,770,000	1,481,801	21,251,801
Totals	<u>\$ 101,236,054</u>	<u>\$ 37,976,139</u>	<u>\$ 139,212,193</u>

The outstanding bonds include both serial bonds and capital appreciation bonds. The interest shown above with respect to the capital appreciation bonds includes interest to be paid on the bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

3. New Debt Issues

In 2014, the District issued Unlimited Tax School Building and Refunding Bonds, Series 2014, for \$3,200,000 and \$6,165,000, respectively. The building bonds are a continuation of the bonds authorized by voters in 2010 for improvements to schools. The refunding bonds were used to refund a portion of the outstanding 2005 series. The refunding resulted in a present value savings of \$1,204,144.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

E. Long-Term Obligations (Continued)

3. New Debt Issues (Continued)

In 2014, the District issued Unlimited Tax Refunding Bonds, Series 2014, for \$620,000. The refunding bonds were used to refund the remaining balance outstanding from the 2005 series. The refunding resulted in a present value savings of \$38,983.

F. Commitments under Noncapitalized Leases

Commitments under noncapitalized (operating) leases for copiers provide for future rental payments as of August 31, 2014 as follows:

<u>Year Ending August 31,</u>	<u>Rentals</u>
2015	\$ 203,016
2016	122,424
Total	<u>\$ 325,440</u>

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. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2014

G. Pension Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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.

State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013, and 2012, and a state contribution rate of 6.8%, 6.4%, and 6.0% for fiscal years 2014, 2013, and 2012, respectively. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2014, 2013 and 2012 were \$1,379,870, \$1,272,529, and \$1,245,700, respectively. The District paid additional state contributions for the years ending August 31, 2014, 2013 and 2012 in the amount of \$577,607, \$528,515, and \$508,943, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and/or were paid for by federal or private grants.

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, 2014

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%, 0.5%, and 1.0% for 2014, 2013, and 2012, respectively. School districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013, and 2012. 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, 2014, 2013 and 2012, the State's contributions to TRS-Care were \$316,071, \$155,150, and \$212,041, respectively, the active member contributions were \$192,936, \$188,669, and \$183,414, respectively, and the District's contributions were \$163,226, \$146,720, and \$155,175, 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, 2014, 2013 and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$77,795, \$73,945, and \$76,124 respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$300-330 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, 2013, 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, 2014

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. For liability, the District participated in the Texas Association of Public Schools Property and Liability Fund (TAPS). TAPS is 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.

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, 2014 was \$143,543. Actual paid claims for the fiscal years ending August 31, 2014, 2013, and 2012 were \$151,103, \$44,502, and \$55,543, 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. Commitments

The District has entered into contracts with an engineer to design and monitor several construction projects. The following schedule summarizes the remaining commitments as of August 31, 2014:

	Total Commitment	Expended To Date	Remaining Commitment
2010 Bond Authorized Projects:			
Construction Costs	\$ 28,091,361	\$ 27,830,474	\$ 260,887
Total	<u>\$ 28,091,361</u>	<u>\$ 27,830,474</u>	<u>\$ 260,887</u>

## 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, 2014

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts			Positive (Negative)
		Original	Final	Actual	
	<b>REVENUES</b>				
5700	Local and Intermediate Sources	\$ 56,946,000	\$ 57,672,859	\$ 57,554,625	\$ (118,234)
5800	State Program Revenues	4,732,781	5,062,781	5,259,193	196,412
5900	Federal Program Revenues	660,000	660,000	535,273	(124,727)
5020	<b>Total Revenues</b>	<u>62,338,781</u>	<u>63,395,640</u>	<u>63,349,091</u>	<u>(46,549)</u>
	<b>EXPENDITURES</b>				
0011	Instruction	24,627,477	24,775,262	24,774,425	837
0012	Instructional Resources and Media Services	494,326	479,326	475,455	3,871
0013	Curriculum and Staff Development	541,790	583,285	583,209	76
0021	Instructional Leadership	872,033	923,653	919,937	3,716
0023	School Leadership	2,123,866	2,128,866	2,123,304	5,562
0031	Guidance, Counseling and Evaluation Services	1,331,749	1,313,549	1,307,611	5,938
0032	Social Work Services	236,227	221,227	214,838	6,389
0033	Health Services	316,350	323,350	320,182	3,168
0034	Student (Pupil) Transportation	786,892	856,892	844,318	12,574
0036	Cocurricular/Extracurricular Activities	1,173,581	1,155,440	1,149,443	5,997
0041	General Administration	1,693,891	1,808,891	1,807,264	1,627
0051	Plant Maintenance and Operations	4,019,137	4,019,137	3,834,709	184,428
0053	Data Processing Services	655,233	720,233	706,066	14,167
0061	Community Services	4,000	4,000	1,493	2,507
0091	Contracted Instr. Services Between Schools	23,784,934	23,824,934	23,713,029	111,905
0095	Payments for Juvenile Justice Programs	15,000	20,000	18,204	1,796
6030	<b>Total Expenditures</b>	<u>62,676,486</u>	<u>63,158,045</u>	<u>62,793,487</u>	<u>364,558</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(337,705)</u>	<u>237,595</u>	<u>555,604</u>	<u>318,009</u>
	<b>OTHER FINANCING SOURCES (USES)</b>				
8911	Transfers Out	-	(57,000)	(56,711)	289
6030	<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(57,000)</u>	<u>(56,711)</u>	<u>289</u>
1200	Net Change in Fund Balance	(337,705)	180,595	498,893	318,298
0100	<b>Fund Balance - Beginning</b>	<u>12,407,123</u>	<u>12,407,123</u>	<u>12,407,123</u>	<u>-</u>
3000	<b>Fund Balance - Ending</b>	<u>\$ 12,069,418</u>	<u>\$ 12,587,718</u>	<u>\$ 12,906,016</u>	<u>\$ 318,298</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2014

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.



## 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, 2014

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	\$ 821,156	\$ 821,156	\$ 725,023	\$ (96,133)
5800	State Program Revenues	6,500	6,500	6,429	(71)
5900	Federal Program Revenues	557,263	557,263	527,581	(29,682)
5020	<b>Total Revenues</b>	<u>1,384,919</u>	<u>1,384,919</u>	<u>1,259,033</u>	<u>(125,886)</u>
	<b>EXPENDITURES</b>				
	<i>Current:</i>				
0035	Food Services	<u>1,353,109</u>	<u>1,353,109</u>	<u>1,242,551</u>	<u>110,558</u>
6030	<b>Total Expenditures</b>	<u>1,353,109</u>	<u>1,353,109</u>	<u>1,242,551</u>	<u>110,558</u>
1200	Net Change in Fund Balance	31,810	31,810	16,482	(15,328)
0100	<b>Fund Balance - Beginning</b>	<u>46,855</u>	<u>46,855</u>	<u>46,855</u>	<u>-</u>
3000	<b>Fund Balance - Ending</b>	<u>\$ 78,665</u>	<u>\$ 78,665</u>	<u>\$ 63,337</u>	<u>\$ (15,328)</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

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	\$ 8,026,000	\$ 8,026,000	\$ 8,179,187	\$ 153,187
5020	<b>Total Revenues</b>	<u>8,026,000</u>	<u>8,026,000</u>	<u>8,179,187</u>	<u>153,187</u>
	<b>EXPENDITURES</b>				
0071	Principal and Long-Term Debt	4,047,000	11,157,000	11,106,549	50,451
0072	Interest on Long-Term Debt	3,638,820	3,795,334	3,795,098	236
0073	Bond Issuance Costs and Fees	4,000	194,207	194,180	27
6030	<b>Total Expenditures</b>	<u>7,689,820</u>	<u>15,146,541</u>	<u>15,095,827</u>	<u>50,714</u>
1100	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>336,180</u>	<u>(7,120,541)</u>	<u>(6,916,640)</u>	<u>203,901</u>
	<b>OTHER FINANCING SOURCES</b>				
7916	Proceeds from Bond Issuance	-	6,785,000	6,785,000	-
7916	Premium on Issuance of Bonds	-	363,242	363,242	-
7080	<b>Total Other Financing Sources</b>	<u>-</u>	<u>7,148,242</u>	<u>7,148,242</u>	<u>-</u>
1200	Net Change in Fund Balance	336,180	27,701	231,602	203,901
0100	<b>Fund Balance - Beginning</b>	<u>1,336,806</u>	<u>1,336,806</u>	<u>1,336,806</u>	<u>-</u>
3000	<b>Fund Balance - Ending</b>	<u>\$ 1,672,986</u>	<u>\$ 1,364,507</u>	<u>\$ 1,568,408</u>	<u>\$ 203,901</u>



## 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, 2014

Year Ended August 31,	1	2	3
	Tax Rates		Assessed/Appraised Value for School
	Maintenance	Debt Service	Tax Purposes*
2004 and Prior Years	\$ Various	\$ Various	\$ Various
2005	1.5000	0.1296	3,179,713,875
2006	1.5000	0.1566	3,484,786,767
2007	1.3400	0.1466	4,267,048,996
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 (School Year Under Audit)	1.0600	0.1580	5,550,207,567

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-2**

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 167,512	\$ -	\$ 3,839	\$ 407	\$ (64,096)	\$ 99,170
39,325	-	52	4	1	39,270
50,252	-	231	24	-	49,997
42,013	-	672	74	-	41,267
42,113	-	1,770	237	-	40,106
207,361	-	7,661	942	7,503	206,261
104,410	-	15,909	1,866	5,170	91,805
130,195	-	23,699	2,917	4,556	108,135
189,433	-	48,391	7,352	227	133,917
490,162	-	55,662	8,297	(238,719)	187,484
-	62,992,407	54,499,610	8,125,652	46,926	414,071
<u>\$ 1,462,776</u>	<u>\$ 62,992,407</u>	<u>\$ 54,657,496</u>	<u>\$ 8,147,772</u>	<u>\$ (238,432)</u>	<u>\$ 1,411,483</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



## COMPLIANCE SECTION

SHAREHOLDERS:

Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

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, 2014, 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 October 31, 2014. 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.

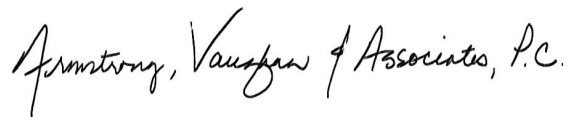
### ***Compliance and Other Matters***

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.

October 31, 2014

SHAREHOLDERS:

Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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 Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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***

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, 2014.

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

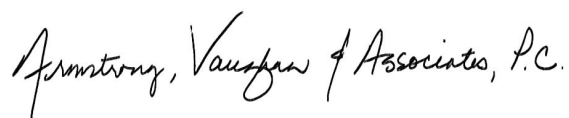
The management of Alamo Heights Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alamo Heights Independent 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

October 31, 2014

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified ☐ Yes ☒ No

One or more significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial Statements noted? ☐ Yes ☒ No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified ☐ Yes ☒ No

One or more significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

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 section 510(a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and type B Programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2014

None.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2014

Not Applicable

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(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	205-673-5-02	\$ 65,481
<i>Passed Through Texas Department of Health and Human Services:</i>			
Medicaid Administrative Claims	93.778	529-12-0041-00008	9,478
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>74,959</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Texas Education Agency</i>			
Title I Part A- Improving Basic Programs	84.010a	14610101015901	306,099
IDEA-B Formula*	84.027A	146600010159016600	757,323
IDEA-B Preschool*	84.173A	146610010159016610	18,254
IDEA-B High Cost*	84.027A	14660006015901	36,947
Carl Perkins - Basic Grant	84.048A	14420006015901	32,493
Title II Part A - Teacher & Principal Training & Recruiting	84.367A	14694501015901	164,078
Title III Part A - English Language Acquisition and Enhancement	84.365A	14671001015901	29,901
Summer School LEP	84.369A	69551302	3,339
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,348,434</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
ROTC	12.000	015-901	66,076
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>66,076</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Texas Education Agency:</i>			
National School Lunch*	10.555	71301401	390,944
School Breakfast Program*	10.553	71401401	103,083
<i>Passed Through Texas Department of Agriculture:</i>			
Commodities (Non-cash Assistance)*	10.555	015-901	33,553
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>527,580</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,017,049</u></u>

\*Indicates clustered program under OMB Circular A-133 Compliance Supplement

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

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. Reconciliation of the Schedule of Expenditures of Federal Awards to Exhibit C-2 is as follows:

Federal Program Revenues and Expenditures:

General Fund	\$ 535,273
Special Revenue Fund	<u>1,941,496</u>
	<u>2,476,769</u>
Less SHARS	<u>(459,720)</u>
Total per Schedule of Expenditures of Federal Awards (See Exhibit K-1)	<u><u>\$ 2,017,049</u></u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2014

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 34,926

