

**ALAMO HEIGHTS INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015**



INTRODUCTORY SECTION

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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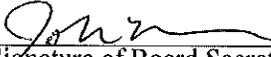
CERTIFICATE OF BOARD

Alamo Heights Independent School District
Name of School District

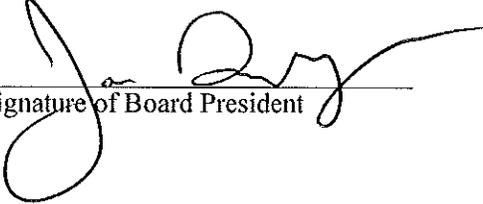
Bexar
County

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, 2015, at a meeting of the board of trustees of such school district on the 21ST day of JANUARY, 2016.



Signature of Board Secretary



Signature of Board President



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Members of the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Alamo Heights Independent School District, as of and for the year ended August 31, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note A3m to the financial statements, in 2014, the District adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 68 related to accounting for pensions. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to the matter.

As discussed in Note A3n to the financial statements, in 2014, the District changed accounting estimate of useful lives of buildings from 20 years to 40 years. This change reduced depreciation for the year ending August 31, 2015 by \$1.609 million. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alamo Heights Independent School District's basic financial statements. The supplementary information (individual budgetary comparison statements and schedule of expenditures of federal awards as required by 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 school first indicators) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 on our consideration of Alamo Heights Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alamo Heights Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Armstrong, Vaughan & Associates, P.C.

November 20, 2015



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, 2015. Please read it in conjunction with the independent auditors' report, and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$426 thousand as a result of this year's operations.
- During the year, the District had expenses that were \$426 thousand less than the \$80.0 million generated in tax and other revenues for governmental programs.
- In the District's business-type activities, revenues decreased to \$142 thousand (41%) while expenses decreased to \$204 thousand (18%). These decreases were primarily related to the discontinuation of the Cambridge Program and a decrease in tennis center activities and Excel After School Program enrollment.
- Total cost of all of the District's programs increased \$621 thousand (1%) with no major changes in programs.
- The General Fund ended the year with a fund balance of \$13.1 million, a 1% increase.
- The expenditures for the 2014-2015 school year were \$1.2 million 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.
- GASB Statement No 68 was adopted this year, requiring the recognition of the District's estimated share of the unfunded pension liability of the Teacher Retirement System of Texas. This resulted in a liability of \$6.1 million being recorded on the government-wide statements.

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 increased \$425 thousand. 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 \$374 thousand at August 31, 2015.

A summarized statement of net position follows:

	August 31, 2015			August 31, 2014*
	Governmental Activities	Business-type Activities	Total	Total
Current and Other Assets	\$ 22,417,503	\$ 106,122	\$ 22,523,625	\$ 23,915,933
Capital Assets	82,366,457	-	82,366,457	85,432,400
<i>Total Assets</i>	<u>104,783,960</u>	<u>106,122</u>	<u>104,890,082</u>	<u>109,348,333</u>
<i>Deferred Inflows</i>	<u>2,805,254</u>	<u>-</u>	<u>2,805,254</u>	<u>2,126,103</u>
Current Liabilities	2,981,671	265	2,981,936	2,967,177
Long-Term Liabilities	108,033,813	-	108,033,813	114,115,542
<i>Total Liabilities</i>	<u>111,015,484</u>	<u>265</u>	<u>111,015,749</u>	<u>117,082,719</u>
<i>Deferred Outflows</i>	<u>1,861,603</u>	<u>-</u>	<u>1,861,603</u>	<u>1,548,495</u>
Net Investment in Capital Assets	(8,774,667)	-	(8,774,667)	(9,952,617)
Restricted	3,112,726	-	3,112,726	3,036,624
Unrestricted	374,068	105,857	479,925	(240,785)
<i>Total Net Position</i>	<u>\$ (5,287,873)</u>	<u>\$ 105,857</u>	<u>\$ (5,182,016)</u>	<u>\$ (7,156,778)</u>

*Note: Comparative information restated for adoption of GASB No. 68. See note A3m for more detail.

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 \$79.1 million compared to \$78.4 million last year. The amount that our taxpayers ultimately financed for these activities through District taxes was \$66 million while some of the costs were paid by those who directly benefited from the programs (\$3.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.8 million).

A summarized statement of activities follows:

	2015			2014*
	Governmental Activities	Business-type Activities	Total	Total
<i>Program Revenues:</i>				
Charges for Services	\$ 3,225,095	\$ 142,204	\$ 3,367,299	\$ 3,202,167
Operating Grants & Contributions	4,371,308	-	4,371,308	4,113,999
Capital Grants & Contributions	-	-	-	50,000
<i>General Revenues:</i>				
Property Taxes	66,015,863	-	66,015,863	62,985,465
General Grants	5,392,345	-	5,392,345	5,774,544
Investment Earnings	52,484	-	52,484	49,266
Miscellaneous	542,660	-	542,660	1,026,364
<i>Total Revenues</i>	<u>79,599,755</u>	<u>142,204</u>	<u>79,741,959</u>	<u>77,201,805</u>
<i>Expenses</i>				
Instruction	28,681,841	-	28,681,841	30,751,057
Instructional Resources and Media	694,774	-	694,774	714,551
Curriculum and Staff Development	698,243	-	698,243	665,827
Instructional Leadership	936,114	-	936,114	919,937
School Leadership	2,586,180	-	2,586,180	2,596,450
Guidance, Counseling, & Evaluation	1,374,207	-	1,374,207	1,349,837
Social Work Services	222,986	-	222,986	217,426
Health Services	440,664	-	440,664	349,415
Student transportation	1,008,655	-	1,008,655	933,921
Food Services	1,598,731	-	1,598,731	1,550,279
Cocurricular/Extracurricular Activities	3,361,297	-	3,361,297	3,272,705
General Administration	1,634,774	-	1,634,774	1,855,724
Plant Maintenance and Operations	4,274,130	-	4,274,130	3,895,449
Data Processing Services	910,435	-	910,435	962,356
Community Services	19,140	-	19,140	23,305
Interest on Long-Term Debt	3,324,833	-	3,324,833	3,393,061
Bond Issuance Costs and Fees	4,569	-	4,569	194,180
Facilities Acquisition and Construction	1,474,547	-	1,474,547	1,069,704
Contracted Instructional Services	25,846,849	-	25,846,849	23,713,029
Payments to Juvenile Justice Programs	19,155	-	19,155	18,204
Enterprising Activities	-	203,568	203,568	247,821
<i>Total Expenses</i>	<u>79,112,124</u>	<u>203,568</u>	<u>79,315,692</u>	<u>78,694,238</u>
Transfers	(62,000)	62,000	-	-
<i>Increase (Decrease) in Net Position</i>	<u>\$ 425,631</u>	<u>\$ 636</u>	<u>\$ 426,267</u>	<u>\$ (1,492,433)</u>

*Note: Comparative information for 2014 has not been restated for the effects of the adoption of GASB Statement No. 68 as information is not available to restate.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$18.3 million, which was an decrease of \$1.5 million.

Over the course of the year, the Board of Trustees revised the District's budget. The General Fund expenditures were \$1.2 million 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 2015, the District had \$80.8 million (net) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. No significant additions were made this year.

Debt

At year-end, the District had \$101.9 million in bonds outstanding versus \$106.6 million from the prior year. More detail information about the district's debt is presented in the notes to the financial statements.

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

The District's 2015-2016 budget projects general fund expenditures will increase \$4.4 million to \$69.7 million. The overall tax rate for the district will be reduced by 1.0 cent, all coming from the debt service side of the rate. The District does not expect any significant changes to operations for the upcoming fiscal year.

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, 2015

Data Control Codes	Primary Government			4 Component Unit	
	1 Governmental Activities	2 Business-type Activities	3 Total	AH School Foundation	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 12,444,805	\$ 106,122	\$ 12,550,927	\$ 222,709
1120	Current Investments	6,216,849	-	6,216,849	6,606,151
1225	Property Taxes Receivable (Net)	1,459,530	-	1,459,530	-
1240	Due from Other Governments	1,801,801	-	1,801,801	-
1290	Other Receivables (Net)	48,217	-	48,217	33,792
1300	Inventory	85,347	-	85,347	-
1410	Prepaid Expenses	360,954	-	360,954	3,887
<i>Capital Assets:</i>					
1510	Land	2,900,273	-	2,900,273	-
1520	Buildings and Improvements, Net	77,736,568	-	77,736,568	-
1531	Vehicles, Net	647,895	-	647,895	-
1539	Furniture and Equipment, Net	1,081,721	-	1,081,721	16,877
1000	<i>Total Assets</i>	<u>104,783,960</u>	<u>106,122</u>	<u>104,890,082</u>	<u>6,883,416</u>
DEFERRED OUTFLOWS:					
1700	Deferred Loss on Debt Refunding	1,429,380	-	1,429,380	-
1705	Deferred Pension Related Outflows	1,375,874	-	1,375,874	-
	<i>Total Deferred Outflows</i>	<u>2,805,254</u>	<u>-</u>	<u>2,805,254</u>	<u>-</u>
LIABILITIES:					
2110	Accounts Payable	661,873	265	662,138	108,259
2140	Interest Payable	292,457	-	292,457	-
2160	Accrued Wages	1,311,349	-	1,311,349	12,010
2180	Due to Other Governments	193,355	-	193,355	-
2300	Unearned Revenue	522,637	-	522,637	48,000
<i>Noncurrent Liabilities:</i>					
2501	Due Within One Year	4,848,923	-	4,848,923	-
2502	Due in More Than One Year	97,099,289	-	97,099,289	-
2540	Net Pension Liability	6,085,601	-	6,085,601	-
2000	<i>Total Liabilities</i>	<u>111,015,484</u>	<u>265</u>	<u>111,015,749</u>	<u>168,269</u>
DEFERRED INFLOWS:					
2605	Deferred Pension Related Inflows	1,861,603	-	1,861,603	-
	<i>Total Deferred Inflows</i>	<u>1,861,603</u>	<u>-</u>	<u>1,861,603</u>	<u>-</u>
NET POSITION:					
3200	Net Investment in Capital Assets	(8,774,667)	-	(8,774,667)	16,877
Restricted For:					
3800	State and Federal Programs	164,490	-	164,490	-
3800	Debt Service	1,453,699	-	1,453,699	-
3800	Permanently Restricted Donations	-	-	-	4,547,929
3800	Campus Activities and Donations	1,494,537	-	1,494,537	1,445,956
3900	Unrestricted	374,068	105,857	479,925	704,385
3000	<i>Total Net Position</i>	<u>\$ (5,287,873)</u>	<u>\$ 105,857</u>	<u>\$ (5,182,016)</u>	<u>\$ 6,715,147</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, 2015

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
11	Instruction	\$ 28,681,841	\$ 967,566	\$ 1,456,818
12	Instructional Resources and Media Services	694,774	-	2,996
13	Curriculum and Staff Development	698,243	-	51,078
21	Instructional Leadership	936,114	-	1,346
23	School Leadership	2,586,180	-	-
31	Guidance, Counseling, & Evaluation Services	1,374,207	-	8,691
32	Social Work Services	222,986	-	2,128
33	Health Services	440,664	-	756,591
34	Student transportation	1,008,655	-	-
35	Food Services	1,598,731	745,114	1,239,673
36	Cocurricular/Extracurricular Activities	3,361,297	1,512,415	838,792
41	General Administration	1,634,774	-	-
51	Plant Maintenance and Operations	4,274,130	-	-
53	Data Processing Services	910,435	-	3,256
61	Community Services	19,140	-	9,939
72	Interest on Long-Term Debt	3,324,833	-	-
73	Bond Issuance Costs and Fees	4,569	-	-
81	Facilities Acquisition and Construction	1,474,547	-	-
91	Contracted Instructional Services	25,846,849	-	-
95	Payments to Juvenile Justice Programs	19,155	-	-
TG	Total Governmental Activities	<u>79,112,124</u>	<u>3,225,095</u>	<u>4,371,308</u>
Business-Type Activities:				
01	Excel After School Program	69,386	55,121	-
02	Aquatic Center	14,054	29,000	-
03	Tennis Center	120,128	58,083	-
TB	Total Business-type Activities	<u>203,568</u>	<u>142,204</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 79,315,692</u>	<u>\$ 3,367,299</u>	<u>\$ 4,371,308</u>
COMPONENT UNIT:				
1C	Alamo Heights School Foundation	<u>\$ 1,207,102</u>	<u>\$ 61,872</u>	<u>\$ 914,644</u>
General Revenues:				
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			
	Prior Period Adjustment			
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
\$ -	\$ (26,257,457)		\$ (26,257,457)	
-	(691,778)		(691,778)	
-	(647,165)		(647,165)	
-	(934,768)		(934,768)	
-	(2,586,180)		(2,586,180)	
-	(1,365,516)		(1,365,516)	
-	(220,858)		(220,858)	
-	315,927		315,927	
-	(1,008,655)		(1,008,655)	
-	386,056		386,056	
-	(1,010,090)		(1,010,090)	
-	(1,634,774)		(1,634,774)	
-	(4,274,130)		(4,274,130)	
-	(907,179)		(907,179)	
-	(9,201)		(9,201)	
-	(3,324,833)		(3,324,833)	
-	(4,569)		(4,569)	
-	(1,474,547)		(1,474,547)	
-	(25,846,849)		(25,846,849)	
-	(19,155)		(19,155)	
-	<u>(71,515,721)</u>		<u>(71,515,721)</u>	
-		\$ (14,265)	(14,265)	
-		14,946	14,946	
-		<u>(62,045)</u>	<u>(62,045)</u>	
-		<u>(61,364)</u>	<u>(61,364)</u>	
\$ -			<u>(71,577,085)</u>	
\$ -				\$ (230,586)
	58,071,786	-	58,071,786	-
	7,944,077	-	7,944,077	-
	52,484	-	52,484	(12,268)
	5,392,345	-	5,392,345	-
	542,660	-	542,660	-
	(62,000)	62,000	-	-
	<u>71,941,352</u>	<u>62,000</u>	<u>72,003,352</u>	<u>(12,268)</u>
	425,631	636	426,267	(242,854)
	1,181,315	105,221	1,286,536	6,958,001
	(6,894,819)	-	(6,894,819)	-
	<u>\$ (5,287,873)</u>	<u>\$ 105,857</u>	<u>\$ (5,182,016)</u>	<u>\$ 6,715,147</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
ASSETS:			
1110	\$ 8,104,222	\$ 1,574,756	\$ 1,941,369
1120	6,216,849	-	-
1225	1,291,405	168,125	-
1240	852,777	3,275	-
1290	48,217	-	-
1300	56,039	-	-
1410	241,034	-	-
1000	<u>\$ 16,810,543</u>	<u>\$ 1,746,156</u>	<u>\$ 1,941,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
<i>Liabilities:</i>			
2110	\$ 399,217	\$ -	\$ 2,330
2160	1,311,349	-	-
2180	193,273	-	-
2300	522,637	-	-
2000	<u>2,426,476</u>	<u>-</u>	<u>2,330</u>
<i>Deferred Inflows of Resources:</i>			
2600	<u>1,291,405</u>	<u>168,125</u>	<u>-</u>
<i>Fund Balance:</i>			
<i>Nonspendable:</i>			
3410	56,039	-	-
3430	241,034	-	-
<i>Restricted Fund Balances:</i>			
3450	-	-	-
3470	-	-	1,939,039
3480	-	1,578,031	-
3490	-	-	-
3600	12,795,589	-	-
3000	<u>13,092,662</u>	<u>1,578,031</u>	<u>1,939,039</u>
4000	<u>\$ 16,810,543</u>	<u>\$ 1,746,156</u>	<u>\$ 1,941,369</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

Other Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 824,458	\$ 12,444,805
-	6,216,849
-	1,459,530
945,749	1,801,801
-	48,217
29,308	85,347
119,919	360,953
<u>\$ 1,919,434</u>	<u>\$ 22,417,502</u>
\$ 260,326	\$ 661,873
-	1,311,349
82	193,355
-	522,637
<u>260,408</u>	<u>2,689,214</u>
<u>-</u>	<u>1,459,530</u>
29,308	85,347
119,919	360,953
15,262	15,262
-	1,939,039
-	1,578,031
1,494,537	1,494,537
-	12,795,589
<u>1,659,026</u>	<u>18,268,758</u>
<u>\$ 1,919,434</u>	<u>\$ 22,417,502</u>



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 18,268,758									
<p>Amounts reported for governmental activities in the Statement of Net Position ("SNA") are different because:</p>										
<p>Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>	82,366,457									
<p>Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 60%;">Net Pension Liability</td> <td style="width: 20%; text-align: right;">(6,085,601)</td> <td style="width: 20%;"></td> </tr> <tr> <td>Pension Related Deferred Inflows</td> <td style="text-align: right;">(1,861,603)</td> <td></td> </tr> <tr> <td>Pension Related Deferred Outflows</td> <td style="text-align: right;"><u>1,375,874</u></td> <td style="text-align: right; vertical-align: bottom;">(6,571,330)</td> </tr> </table>	Net Pension Liability	(6,085,601)		Pension Related Deferred Inflows	(1,861,603)		Pension Related Deferred Outflows	<u>1,375,874</u>	(6,571,330)	
Net Pension Liability	(6,085,601)									
Pension Related Deferred Inflows	(1,861,603)									
Pension Related Deferred Outflows	<u>1,375,874</u>	(6,571,330)								
<p>Deferred inflows of resources are not available to pay for current-period expenditures and therefore, are deferred in the funds.</p>	1,459,531									
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds.</p>	(101,948,212)									
<p>Losses on debt refundings do not consume current financial resources and are not reported in the funds.</p>	1,429,380									
<p>Accrued interest payable on long-term bonds is not due and payable in the current period, and therefore, not reported in the funds.</p>	<u>(292,457)</u>									
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (5,287,873)</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, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	
REVENUES:				
5700	Local and Intermediate Sources	\$60,263,554	\$ 7,934,831	\$ 3,646
5800	State Program Revenues	4,841,522	-	-
5900	Federal Program Revenues	824,840	-	-
5020	<i>Total Revenues</i>	<u>65,929,916</u>	<u>7,934,831</u>	<u>3,646</u>
EXPENDITURES:				
0011	Instruction	24,942,380	-	-
0012	Instructional Resources and Media Services	478,077	-	-
0013	Curriculum and Staff Development	606,275	-	-
0021	Instructional Leadership	940,359	-	-
0023	School Leadership	2,171,501	-	-
0031	Guidance, Counseling, & Evaluation Services	1,342,261	-	-
0032	Social Work Services	220,681	-	-
0033	Health Services	416,443	-	-
0034	Student Transportation	923,006	-	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	1,219,645	-	-
0041	General Administration	1,636,117	-	-
0051	Plant Maintenance and Operations	4,217,576	-	-
0053	Data Processing Services	700,510	-	-
0061	Community Services	435	-	-
0071	Principal on Long-Term Debt	-	4,291,054	-
0072	Interest on Long-Term Debt	-	3,629,585	-
0073	Bond Issuance Costs and Fees	-	4,569	-
0081	Facilities Acquisition and Construction	-	-	1,768,177
0091	Contracted Instructional Services Between Public Schools	25,846,849	-	-
0095	Payments to Juvenile Justice Programs	19,155	-	-
6030	<i>Total Expenditures</i>	<u>65,681,270</u>	<u>7,925,208</u>	<u>1,768,177</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>248,646</u>	<u>9,623</u>	<u>(1,764,531)</u>
Other Financing Sources and (Uses)				
8911	Transfers Out	(62,000)	-	-
7080	Total Other Financing Sources and (Uses)	<u>(62,000)</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	186,646	9,623	(1,764,531)
0100	Fund Balances - Beginning	12,906,016	1,568,408	3,703,570
3000	Fund Balances - Ending	<u>\$13,092,662</u>	<u>\$ 1,578,031</u>	<u>\$ 1,939,039</u>

The accompanying notes are an integral part of this statement.

Other Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 2,893,505	\$ 71,095,536
782,595	5,624,117
<u>1,950,758</u>	<u>2,775,598</u>
<u>5,626,858</u>	<u>79,495,251</u>
2,741,631	27,684,011
5,638	483,715
96,125	702,400
2,533	942,892
-	2,171,501
16,355	1,358,616
4,004	224,685
-	416,443
-	923,006
1,249,595	1,249,595
1,450,110	2,669,755
-	1,636,117
-	4,217,576
6,128	706,638
18,705	19,140
-	4,291,054
-	3,629,585
-	4,569
-	1,768,177
-	25,846,849
-	19,155
<u>5,590,824</u>	<u>80,965,479</u>
<u>36,034</u>	<u>(1,470,228)</u>
-	(62,000)
-	(62,000)
<u>36,034</u>	<u>(1,532,228)</u>
<u>1,622,992</u>	<u>19,800,986</u>
<u>\$ 1,659,026</u>	<u>\$ 18,268,758</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, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,532,228)

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. (3,065,943)

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. 104,507

Governmental funds report required contributions to employee pensions as expenditures. However in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense. 323,489

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.

Principal Payments	4,291,054	
Payments of Accreted Interest	53,946	
	4,345,000	4,345,000

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	20,018	
Accreted Interest	(19,020)	
Amortization of Losses on Debt Refundings	(119,115)	
Amortization of Bond Premiums	368,923	
	250,806	250,806

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 425,631

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 ENTERPRISE FUNDS
 AUGUST 31, 2015

Data Control Codes		Nonmajor Enterprise Funds
	ASSETS:	
	<i>Current Assets:</i>	
1110	Cash and Cash Equivalents	\$ 106,122
1000	<i>Total Assets</i>	106,122
	 LIABILITIES:	
	<i>Current Liabilities</i>	
2110	Accounts Payable	265
2000	<i>Total Liabilities</i>	265
	 NET POSITION:	
3900	Unrestricted	105,857
3000	<i>Total Net Position</i>	\$ 105,857

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, 2015

Data Control Codes		Nonmajor Enterprise Funds
	OPERATING REVENUES:	
5700	Local and Intermediate Sources	\$ 142,205
5020	<i>Total Revenues</i>	<u>142,205</u>
	OPERATING EXPENSES:	
0011	Instruction	69,386
0036	Cocurricular/Extracurricular Activities	134,183
6030	<i>Total Expenses</i>	<u>203,569</u>
	Income (Loss) before Contributions and Transfers	(61,364)
7915	Transfers In	<u>62,000</u>
1300	Change in Net Position	636
0100	Total Net Position - Beginning	<u>105,221</u>
3300	Total Net Position - Ending	<u><u>\$ 105,857</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, 2015

	Nonmajor Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 190,919
Cash Payments to Employees for Services	(117,464)
Cash Payments to Other Suppliers for Goods and Services	(85,840)
Net Cash Provided (Used) by Operating Activities	<u>(12,385)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers From (To) Governmental Funds	62,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>62,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	49,615
Cash and Cash Equivalents at Beginning of Year	56,507
Cash and Cash Equivalents at End of Year	<u>\$ 106,122</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (61,364)
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	265
<i>Total Adjustments</i>	<u>48,979</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (12,385)</u>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2015

Data Control Codes		Private Purpose Trust Funds	Agency Funds
	ASSETS:		
1110	Cash and Cash Equivalents	\$ 119,349	\$ 86,270
1410	Prepaid Expenses	-	19,470
1000	<i>Total Assets</i>	<u>119,349</u>	<u>105,740</u>
	LIABILITIES:		
	<i>Current Liabilities</i>		
2110	Accounts Payable	-	14,847
2190	Due to Student Groups	-	90,893
2000	<i>Total Liabilities</i>	<u>-</u>	<u>105,740</u>
	NET POSITION		
3000	<i>Total Net Position</i>	<u>\$ 119,349</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, 2015

	Private Purpose Trust Funds
Additions:	
Investment Income	\$ 43
Contributions	19,800
Total Additions	19,843
 Deductions:	
Scholarship Awards	7,500
Total Deductions	7,500
Change in Net Position	12,343
Net Position - Beginning of Year	107,006
Net Position - End of Year	\$ 119,349

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

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, 2015

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, 2015

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, 2015

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 \$53,809 and \$7,005 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	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, 2015

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, 2015

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

i. Pensions

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

j. 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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2015

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

j. Fund Balances – Governmental Funds (Continued)

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

k. Use of Estimates

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

l. Data Control Codes

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

m. Adoption of Governmental Accounting Standards Board Statement No. 68

For the year ending August 31, 2015, the District implemented GASB Statement No. 68 related to accounting for pensions. This new standard requires the District's proportionate share of the plan's net pension liability (asset) and related deferred inflows and outflows of resources to be recognized on the District's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the net pension liability at August 31, 2015.

n. Change in Accounting Estimate

For the year ending August 31, 2015, the District changed the estimated useful lives of buildings from 20 -30 years to 40 years to be more in line with actual District experience. The change in accounting estimate was accounted for prospectively and resulted in a \$1.609 million reduction in depreciation in the current year.

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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2015

B. Deposits and Investments (Continued)

1. Cash Deposits:

At August 31, 2015, the carrying amount of the District's deposits (checking and savings accounts) was \$611,212 and the bank balance was \$983,968. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015, 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.

The District's investments at August 31, 2015 are shown below.

Investment or Investment Type	Weighted Average Maturity (Days)	Fair Value
Local Government Debt Securities	194	\$ 2,935,554
Federal Government Debt Securities	516	750,147
Certificates of Deposit	335	2,531,148
Total Investments		\$ 6,216,849

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2015

B. Deposits and Investments (Continued)

2. Investments (Continued):

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:

Investment or Investment Type	Fair Value
Cash Equivalents	\$ 56,719
Equity Securities	6,549,432
Total Investments	\$ 6,606,151

3. Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2015

B. Deposits and Investments (Continued)

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

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, 2015, the District was invested in the following Pools:

<u>Local Government Investment Pool</u>	<u>Rating</u>	<u>Fair Value</u>
Texpool	AAAm	\$ 684,182
Texas TERM - TexasDAILY	AAAm	68
Texas Class	AAAm	11,453,244
Total Investments		<u>\$ 12,137,494</u>

C. Interfund Balances and Activities

Transfers between funds during the year ending August 31, 2015 were the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Enterprise Funds	\$ 62,000	Supplement other funding
	Total	<u>\$ 62,000</u>	

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2015

D. Capital Assets

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

	Beginning Balances	Increases	Transfers/ Decreases	Ending Balances
Governmental Activities:				
<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	137,286,100	218,070	-	137,504,170
Equipment	5,197,485	78,899	-	5,276,384
Vehicles	2,055,529	-	-	2,055,529
<i>Total Capital Assets Being Depreciated</i>	<u>144,539,114</u>	<u>296,969</u>	<u>-</u>	<u>144,836,083</u>
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(56,721,582)	(3,046,020)	-	(59,767,602)
Equipment	(3,996,382)	(198,281)	-	(4,194,663)
Vehicles	(1,289,023)	(118,611)	-	(1,407,634)
<i>Total Accumulated Depreciation</i>	<u>(62,006,987)</u>	<u>(3,362,912)</u>	<u>-</u>	<u>(65,369,899)</u>
Total Capital Assets Being Depreciated, Net	<u>82,532,127</u>	<u>(3,065,943)</u>	<u>-</u>	<u>79,466,184</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 85,432,400</u>	<u>\$ (3,065,943)</u>	<u>\$ -</u>	<u>\$ 82,366,457</u>

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

11 Instruction	\$ 1,238,244
12 Instructional Resources and Media Services	214,887
23 School Leadership	429,774
31 Guidance, Counseling, & Evaluation Services	26,853
33 Health Services	26,866
34 Student Transportation	89,603
35 Food Services	349,136
36 Cocurricular/Extracurricular Activities	700,452
41 General Administration	7,809
51 Plant Maintenance and Operations	70,066
53 Data Processing Services	205,883
81 Facilities Acquisition	3,339
	<u>\$ 3,362,912</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2015

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include building and refunding bonds. Changes in long-term obligations for the year ended August 31, 2015, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Unlimited Tax School					
Building Bonds	\$ 38,071,054	\$ -	\$ (486,054)	\$ 37,585,000	\$ 555,000
Refunding Bonds	10,780,000	-	(2,015,000)	8,765,000	2,090,000
Building/Refunding Bonds	52,385,000	-	(1,790,000)	50,595,000	1,835,000
Unamortized Premiums	5,372,135	-	(368,923)	5,003,212	368,923
Accreted Interest	34,926	19,020	(53,946)	-	-
<i>Total Governmental Activities</i>	<u>\$106,643,115</u>	<u>\$ 19,020</u>	<u>\$ (4,713,923)</u>	<u>\$101,948,212</u>	<u>\$ 4,848,923</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, 2015, are as follows:

Year Ending August 31,	Principal	Interest	Total
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	5,050,000	2,869,142	7,919,142
2021-2025	28,390,000	11,361,366	39,751,366
2026-2030	30,945,000	6,524,071	37,469,071
2031-2033	13,770,000	708,506	14,478,506
Totals	<u>\$ 96,945,000</u>	<u>\$ 34,346,550</u>	<u>\$ 131,291,550</u>

F. Commitments under Noncapitalized Leases

Commitments under noncapitalized (operating) leases for copiers provide for future rental payments of \$122,424 for the year ending August 31, 2016.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2015

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.

2. Benefits Provided

Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals or exceeds 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's).

3. Contributions

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the system's actuary. As the non-employer contributing entity, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2015

G. Pension Plan (Continued)

3. Contributions (Continued)

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. Contribution amounts for the District for fiscal year 2015 are as follows:

	Contributions Required and Made
Member (Employee)	\$ 2,021,069
Non-employer contributing agency (State)	990,694
District	886,187
	\$ 3,897,950

Contribution rates for Plan fiscal year (September to August) 2014 and 2015 follow:

	Contribution Rates Plan fiscal year	
	2014	2015
Member (Employee)	6.4%	6.7%
Non-employer Contributing Entity (State)	6.8%	6.8%
Employer	6.8%	6.8%

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2015

G. Pension Plan (Continued)

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

At August 31, 2015, the District reported a liability of \$6,085,601 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net position liability	\$ 6,085,601
State's proportionate share of the net pension liability associated with the District	<u>15,370,813</u>
Total	<u><u>\$ 21,456,414</u></u>

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

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0227828%.

For the year ended August 31, 2015, the District recognized pension expense of \$562,506 and revenue of \$1,455,796 for support provided by the State.

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

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 94,116	\$ -
Changes of assumptions	395,571	-
Net difference between projected and actual earnings on pension plan investments	-	1,860,008
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,595
District contributions subsequent to the measurement date	<u>886,187</u>	-
Total	<u><u>\$ 1,375,874</u></u>	<u><u>\$ 1,861,603</u></u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2015

G. Pension Plan (Continued)

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

The \$886,187 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending August 31,</u>	<u>Pension Expense</u>
2016	(382,661)
2017	(382,661)
2018	(382,661)
2019	(382,661)
2020	82,341
Thereafter	76,387
	<u><u>(1,371,916)</u></u>

6. Actuarial Assumptions

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

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Legal Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Salary Increased	4.25% to 7.25%
Weighted Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

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

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AUGUST 31, 2015

G. Pension Plan (Continued)

7. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Real Rate of Return</u>
Global Equity		
U.S.	18%	1.4%
Non-U.S. Developed	13%	1.1%
Emerging Markets	9%	0.9%
Directional Hedge Funds	4%	0.2%
Private Equity	13%	1.4%
Stable Value		
U.S. Treasuries	11%	0.3%
Absolute Return	0%	0.0%
Stable Value Hedge Funds	4%	0.2%
Cash	1%	0.0%
Real Return		
Global Inflation Linked Bonds	3%	0.0%
Real Assets	16%	1.5%
Energy & Natural Resources	3%	0.3%
Commodities	0%	0.0%
Risk Parity		
Risk Parity	5%	0.4%
Alpha	0%	1.0%
Total	<u>100%</u>	<u>8.7%</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AUGUST 31, 2015

G. Pension Plan (Continued)

8. Discount Rate

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

9. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 7.0%	Current 8.0%	1% Increase 9.0%
District's proportionate share of the net position liability	\$ 10,874,600	\$ 6,085,601	\$ 2,504,321

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 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, 2015

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 2015, 2014, and 2013, respectively. School districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014, and 2013. 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, 2015, 2014 and 2013, the State's contributions to TRS-Care were \$301,652, \$316,071, and \$155,150, respectively, the active member contributions were \$196,072, \$192,936, and \$188,669, respectively, and the District's contributions were \$165,907, \$163,226, and \$146,720, 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, 2015, 2014 and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$92,658, \$77,795, and \$73,945 respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the Plan). The District 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, 2014, 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, 2015

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, 2015 was \$118,564. Actual paid claims for the fiscal years ending August 31, 2015, 2014, and 2013 were \$43,930, \$151,103, and \$44,502, 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.



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, 2015

Data Control Codes	1 Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	Local and Intermediate Sources	\$ 59,412,578	\$ 60,242,578	\$ 60,263,554	\$ 20,976
5800	State Program Revenues	5,140,268	5,265,268	4,841,522	(423,746)
5900	Federal Program Revenues	720,000	720,000	824,840	104,840
5020	Total Revenues	<u>65,272,846</u>	<u>66,227,846</u>	<u>65,929,916</u>	<u>(297,930)</u>
EXPENDITURES					
0011	Instruction	25,646,426	25,641,892	24,942,380	699,512
0012	Instructional Resources and Media Services	503,662	503,662	478,077	25,585
0013	Curriculum and Staff Development	552,657	622,741	606,275	16,466
0021	Instructional Leadership	895,640	1,020,640	940,359	80,281
0023	School Leadership	2,164,029	2,203,879	2,171,501	32,378
0031	Guidance, Counseling and Evaluation Services	1,358,880	1,363,480	1,342,261	21,219
0032	Social Work Services	240,952	240,952	220,681	20,271
0033	Health Services	323,377	438,377	416,443	21,934
0034	Student (Pupil) Transportation	799,106	974,106	923,006	51,100
0036	Cocurricular/Extracurricular Activities	1,203,527	1,233,527	1,219,645	13,882
0041	General Administration	1,759,476	1,759,476	1,636,117	123,359
0051	Plant Maintenance and Operations	4,037,936	4,252,936	4,217,576	35,360
0053	Data Processing Services	663,036	728,036	700,510	27,526
0061	Community Services	4,000	4,000	435	3,565
0091	Contracted Instr. Services Between Schools	25,887,354	25,887,354	25,846,849	40,505
0095	Payments for Juvenile Justice Programs	15,000	23,000	19,155	3,845
6030	Total Expenditures	<u>66,055,058</u>	<u>66,898,058</u>	<u>65,681,270</u>	<u>1,216,788</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(782,212)</u>	<u>(670,212)</u>	<u>248,646</u>	<u>918,858</u>
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	-	(70,000)	(62,000)	8,000
6030	Total Other Financing Sources (Uses)	<u>-</u>	<u>(70,000)</u>	<u>(62,000)</u>	<u>8,000</u>
1200	Net Change in Fund Balance	(782,212)	(740,212)	186,646	926,858
0100	Fund Balance - Beginning	<u>12,906,016</u>	<u>12,906,016</u>	<u>12,906,016</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 12,123,804</u>	<u>\$ 12,165,804</u>	<u>\$ 13,092,662</u>	<u>\$ 926,858</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

BUDGETARY INFORMATION

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

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

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AUGUST 31, 2015

	<u>2015</u>
District's proportion of the net pension liability	0.0227828%
District's proportionate share of the net pension liability	\$ 6,085,601
State's proportionate share of the net pension liability associated with the District	<u>15,370,813</u>
Total	<u><u>\$ 21,456,414</u></u>
District's covered-employee payroll (for the measurement year)	\$ 29,682,297
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	20.50%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>
Contractually required contribution	\$ 886,187
Contributions in relation to the contractually required contribution	<u>886,187</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 30,165,207
Contributions as a percentage of covered-employee payroll	2.94%

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSIONS
AUGUST 31, 2015

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

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

SUPPLEMENTARY INFORMATION

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

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1		2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Final	Actual	
		Original				
	REVENUES					
5700	Local and Intermediate Sources	\$ 723,426	\$ 723,426	\$ 750,817	\$ 27,391	
5800	State Program Revenues	6,464	6,464	6,333	(131)	
5900	Federal Program Revenues	561,871	561,871	569,344	7,473	
5020	Total Revenues	<u>1,291,761</u>	<u>1,291,761</u>	<u>1,326,494</u>	<u>34,733</u>	
	EXPENDITURES					
	<i>Current:</i>					
0035	Food Services	1,273,887	1,273,887	1,249,595	24,292	
6030	Total Expenditures	<u>1,273,887</u>	<u>1,273,887</u>	<u>1,249,595</u>	<u>24,292</u>	
1200	Net Change in Fund Balance	17,874	17,874	76,899	59,025	
0100	Fund Balance - Beginning	<u>63,337</u>	<u>63,337</u>	<u>63,337</u>	<u>-</u>	
3000	Fund Balance - Ending	<u>\$ 81,211</u>	<u>\$ 81,211</u>	<u>\$ 140,236</u>	<u>\$ 59,025</u>	

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1 Budgeted Amounts		3	Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
	REVENUES				
5700	Local and Intermediate Sources	\$ 7,886,282	\$ 7,886,282	\$ 7,934,831	\$ 48,549
5020	Total Revenues	<u>7,886,282</u>	<u>7,886,282</u>	<u>7,934,831</u>	<u>48,549</u>
	EXPENDITURES				
0071	Principal and Long-Term Debt	4,221,054	4,221,054	4,291,054	(70,000)
0072	Interest on Long-Term Debt	3,700,558	3,700,558	3,629,585	70,973
0073	Bond Issuance Costs and Fees	-	5,000	4,569	431
6030	Total Expenditures	<u>7,921,612</u>	<u>7,926,612</u>	<u>7,925,208</u>	<u>1,404</u>
1200	Net Change in Fund Balance	(35,330)	(40,330)	9,623	49,953
0100	Fund Balance - Beginning	<u>1,568,408</u>	<u>1,568,408</u>	<u>1,568,408</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 1,533,078</u>	<u>\$ 1,528,078</u>	<u>\$ 1,578,031</u>	<u>\$ 49,953</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, 2015

Year Ended August 31,	1		2	3
	Tax Rates		Assessed/Appraised Value for School Tax Purposes*	Assessed/Appraised Value for School Tax Purposes*
	Maintenance	Debt Service		
2005 and Prior Years	\$ Various	\$ Various	\$ Various	
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	1.0600	0.1580		5,550,207,567
2015 (School Year Under Audit)	1.0600	0.1450		5,858,541,056

1000 Totals

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

*Represents net taxable value before applicable freeze adjustments.

EXHIBIT J-1

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 138,440	\$ -	\$ 21,579	\$ 3,108	\$ 13,404	\$ 127,157
49,997	-	297	31	(12)	49,657
41,267	-	3,231	353	-	37,683
40,106	-	1,493	200	(245)	38,168
206,261	-	2,245	276	(2,132)	201,608
91,805	-	(561)	(66)	(2,708)	89,724
108,135	-	10,994	1,353	(4,125)	91,663
133,917	-	15,880	2,413	(12,021)	103,603
187,484	-	8,184	1,220	(56,973)	121,107
414,071	-	77,831	11,601	(133,068)	191,571
-	65,886,018	57,575,291	7,876,229	33,905	468,403
<u>\$ 1,411,483</u>	<u>\$ 65,886,018</u>	<u>\$ 57,716,464</u>	<u>\$ 7,896,718</u>	<u>\$ (163,975)</u>	<u>\$ 1,520,344</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Alamo Heights Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Alamo Heights Independent School District's basic financial statements, and have issued our report thereon dated November 20, 2015. Our report includes a reference to other auditors who audited the financial statements of the Alamo Heights School Foundation, as described in our report on Alamo Heights Independent School District's financial statements. The financial statements of Alamo Heights School Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

Armstrong, Vaughan & Associates, P.C.

November 20, 2015



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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, 2015. 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, 2015.

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.

November 20, 2015

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2015

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>
84.027A, 84.173A	IDEA-B Special Education Cluster
84.367A	Title II Part A

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, 2015

None.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

Not Applicable

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Education Service Center Region 20:</i>			
Head Start	93.600	205-673-6-02	\$ 86,881
<i>Passed Through Texas Department of Health and Human Services:</i>			
Medicaid Administrative Claims	93.778	529-12-0041-00008	22,634
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>109,515</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency</i>			
Title I Part A- Improving Basic Programs	84.010a	15610101015901	319,124
IDEA-B Formula*	84.027A	156600010159016600	700,473
IDEA-B Preschool*	84.173A	156610010159016610	17,089
IDEA-B High Cost*	84.027A	156600060159016680	52,730
Carl Perkins - Basic Grant	84.048A	15420006015901	37,429
Title II Part A - Teacher & Principal Training & Recruiting	84.367A	15694501015901	142,250
Title III Part A - English Language Acquisition and Enhancement	84.365A	15671001015901	24,331
Summer School LEP	84.369A	69551402	1,107
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,294,533</u>
U.S. DEPARTMENT OF DEFENSE			
ROTC	12.000	015-901	68,248
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>68,248</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
National School Lunch*	10.555	71301501	392,664
School Breakfast Program*	10.553	71401501	108,758
<i>Passed Through Texas Department of Agriculture:</i>			
Commodities (Non-cash Assistance)*	10.555	015-901	67,922
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>569,344</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,041,640</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, 2015

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	\$ 824,840
Special Revenue Fund	1,950,758
	<u>2,775,598</u>
Less SHARS	<u>(733,958)</u>
Total per Schedule of Expenditures of Federal Awards (See Exhibit K-1)	<u><u>\$ 2,041,640</u></u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2015

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 6,085,601
SF13	Pension Expense (6147) at fiscal year-end.	\$ 562,506

