

**FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**AUGUST 31, 2018**

**FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2018**

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CERTIFICATE OF BOARD

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

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 12 of December, 2018.

Signature on file with TEA  
\_\_\_\_\_  
Signature of Board Secretary

Signature on file with TEA  
\_\_\_\_\_  
Signature of Board President

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

# COLEMAN, HORTON & COMPANY, LLP

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Sam Houston Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Fort Sam Houston Independent School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Sam Houston Independent School District as of August 31, 2018, 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.

### ***Change in Accounting Principle***

As described in Note I to the financial statements, in 2018, the District adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions for Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions for Other Post-Employment Benefits, on pages 7-12 and 51-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Sam Houston Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulation of the State of Texas. This information is in the Exhibit identified in the Table of Contents as J-1. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of the Fort Sam Houston Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Fort Sam Houston Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fort Sam Houston Independent School District's internal control over financial reporting and compliance.

*Coleman Horton + Company, LLP*

Uvalde, Texas

November 16, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Fort Sam Houston Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other statements, required TEA supplementary information, and federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the year ending August 31, 2018. Please read it in conjunction with the District's financial section, which follows.

### **Overview of the Basic Financial Statements**

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

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

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

### **Government-wide Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

- \* *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.
- \* *Proprietary funds* - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
- \* We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities - such as the District's Workers' Compensation Fund.

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

### **Financial Highlights**

\* The District's combined net position was \$52,821,021 at August 31, 2018, an increase of \$1,620,592 from day to day operations and a decrease of \$12,863,082 from implementing GASB 75 related to the District's Other Post-Employment Benefits.

\* For the year, the District's revenues were \$23,613,279 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) State Aid	\$ 8,129,809	\$ 12,734,168	\$ (4,604,359)
b) Federal Aid	13,221,909	16,813,392	(3,591,483)
c) Investment Earnings	193,394	77,927	115,467
d) Charges for Services	434,034	419,279	14,755
e) Extraordinary Item Resource/(Use)	(584,568)	(44,625)	(539,943)
f) Other	2,218,701	2,866,677	(647,976)
Total	<u>\$ 23,613,279</u>	<u>\$ 32,866,818</u>	<u>\$ (9,253,539)</u>

\* During the year, the District's expenses were \$21,992,687 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) Instruction and instructional related	\$ 12,110,436	\$ 15,829,137	\$ (3,718,701)
b) Instruction leadership/school leadership	1,440,945	2,110,856	(669,911)
c) Guidance, social work, health, transportation	1,366,297	1,869,385	(503,088)
d) Food services	785,348	861,654	(76,306)
e) Extracurricular activities	688,955	779,029	(90,074)
f) General administration	1,173,573	1,236,226	(62,653)
g) Plant maintenance and security	2,469,781	2,657,866	(188,085)
h) Data processing services	1,009,955	1,189,737	(179,782)
i) Capital outlay	-	1,263	(1,263)
j) Payments to fiscal agent/member districts - shared service	947,397	1,426,544	(479,147)
Total Expenses	<u>\$ 21,992,687</u>	<u>\$ 27,961,697</u>	<u>\$ (5,969,010)</u>

- \* The general fund reported a fund balance for the year of \$13,758,726, a decrease of \$1,468,642 from the prior year.
- \* The capital projects fund reported a fund balance for the year of \$187,634, an increase of \$27,798 from the prior year.
- \* The District's combined net position was \$52,821,021 at August 31, as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Current and other assets	\$ 15,410,008	\$ 18,252,690	\$ (2,842,682)
Capital and non-current assets	<u>51,077,574</u>	<u>50,307,436</u>	<u>770,138</u>
<b>Total Assets</b>	<b><u>\$ 66,487,582</u></b>	<b><u>\$ 68,560,126</u></b>	<b><u>\$ (2,072,544)</u></b>
Deferred Outflows	<u>\$ 1,733,621</u>	<u>\$ 2,144,119</u>	<u>\$ (410,498)</u>
Current liabilities	\$ 1,349,998	\$ 2,735,338	\$ (1,385,340)
Long term liabilities	<u>10,492,719</u>	<u>3,708,678</u>	<u>6,784,041</u>
<b>Total Liabilities</b>	<b><u>\$ 11,842,717</u></b>	<b><u>\$ 6,444,016</u></b>	<b><u>\$ 5,398,701</u></b>
Deferred Inflows	<u>\$ 3,557,465</u>	<u>\$ 196,718</u>	<u>\$ 3,360,747</u>
Net position:			
Net investment in capital assets	\$ 51,265,208	\$ 50,467,272	\$ 797,936
Restricted	10,486	58,137	(47,651)
Unrestricted	<u>1,545,327</u>	<u>13,538,102</u>	<u>(11,992,775)</u>
<b>Total Net Position</b>	<b><u>\$ 52,821,021</u></b>	<b><u>\$ 64,063,511</u></b>	<b><u>\$ (11,242,490)</u></b>

- \* The general fund transferred \$44,850 to supplement the Child Nutrition Program, \$2,555,402 to capital projects funds, and \$67,399 to the internal service fund.

## Capital Assets and Debt Administration

### Capital Projects Funds

In November 2016, the District awarded a \$7.27 million contract to Jackson Construction Company for Construction Manager-at-Risk for the Robert G. Cole Athletic Stadium project. Funding for this project is a combination of Impact Aid construction grants totaling \$5.39 million, with the remaining funds coming from the District's fund balance reserves for construction. The athletic field was ready for use in August 2017. The concessions/restroom facility and track surface were completed in February 2018. The construction manager contract includes the renovation of the Moseley Building, which houses a gymnasium and former music program rooms. This project is awaiting Impact Aid construction grant funding from the Department of Education.

During 2017-18, the Board of Trustees approved an amendment to the contract with Jackson Construction for the renovation of the Family Living Center into a Culinary Arts Center. The guaranteed maximum price for the renovation of \$809,130 and was funded through the District's General Fund committed for construction designation of the Fund Balance. The project was substantially completed in September 2018.

The total amount committed for construction in the General Fund at the end of 2018 is \$3,500,000.

### Capital Assets

Capital assets for the District at the end of the fiscal year August 31, 2018 amounted to \$51,077,574. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and vehicles as reflected below:

#### **District's Capital Assets**

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Buildings and improvements	\$ 82,310,758	\$ 73,122,261	\$ 9,188,497
Furniture and Equipment	4,477,199	4,322,959	154,240
Construction in progress	979,775	6,181,119	(5,201,344)
Totals at historical cost	87,767,732	83,626,339	4,141,393
Total accumulated depreciation	(36,690,158)	(33,318,903)	(3,371,255)
Net capital assets	<u>\$ 51,077,574</u>	<u>\$ 50,307,436</u>	<u>\$ 770,138</u>

## **Long-term Liabilities**

The District's long-term liabilities are compensated absences in the amount of \$297,344.

### **District's Long-term Liabilities**

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Compensated absences	<u>\$ 297,344</u>	<u>\$ 294,258</u>	<u>\$ 3,086</u>

## **General Fund Budgetary Highlights**

The following factors were taken into account when adopting the General Funds budget for fiscal year 2019:

- The District's 2018 final refined average daily attendance (ADA) was 1,484 students, reflecting an increase of 32 students when compared to the prior year. The 2019 budget was developed based on an estimated ADA of 1,434 students in order to remain conservative.
- All employees received a 2.0% salary increase for the 2018-2019 fiscal year.
- The employer contribution toward health insurance increased to \$485 per month.

Amounts available for appropriations in the General Fund budget for 2019 are \$21,776,599, reflecting an overall increase of 4.5% compared to the original 2018 budget of \$20,849,580. The District adopted a balanced budget for 2018.

During the fall of 2018, the District's student enrollment was 1,568, representing a decrease of 22 students as compared to the fall of 2017 on the snapshot day of the last Friday of October. Student enrollment fluctuates throughout the year depending on military assignments and deployments. The District added no major new programs or initiatives to the 2019 budget.

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

## **Contacting the District's Financial Management**

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

## **BASIC FINANCIAL STATEMENTS**

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 12,760,329
1240 Due from Other Governments	2,638,058
1290 Other Receivables, Net	5,484
1300 Inventories	6,137
Capital Assets:	
1520 Buildings, Net	49,079,918
1530 Furniture and Equipment, Net	1,017,881
1580 Construction in Progress	979,775
1000 Total Assets	66,487,582
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	1,606,290
1706 Deferred Outflow Related to TRS OPEB	127,331
1700 Total Deferred Outflows of Resources	1,733,621
<b>LIABILITIES</b>	
2110 Accounts Payable	569,129
2160 Accrued Wages Payable	761,957
2200 Accrued Expenses	18,912
Noncurrent Liabilities	
2501 Due Within One Year	297,344
2540 Net Pension Liability (District's Share)	2,840,452
2545 Net OPEB Liability (District's Share)	7,354,923
2000 Total Liabilities	11,842,717
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Resource Inflow Related to TRS Pension	480,886
2606 Deferred Resource Inflow Related to TRS OPEB	3,076,579
2600 Total Deferred Inflows of Resources	3,557,465
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	51,265,208
3820 Restricted for Federal and State Programs	10,486
3900 Unrestricted	1,545,327
3000 Total Net Position	\$ 52,821,021

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 11,430,307	\$ 8,699	\$ 744,933
12 Instructional Resources and Media Services	313,816	-	-
13 Curriculum and Instructional Staff Development	366,313	-	-
21 Instructional Leadership	367,805	-	-
23 School Leadership	1,073,140	-	-
31 Guidance, Counseling and Evaluation Services	829,378	-	252,199
33 Health Services	248,039	-	-
34 Student (Pupil) Transportation	288,880	-	8,752
35 Food Services	785,348	374,880	334,952
36 Extracurricular Activities	688,955	50,455	-
41 General Administration	1,173,573	-	-
51 Facilities Maintenance and Operations	2,339,868	-	15,266
52 Security and Monitoring Services	129,913	-	-
53 Data Processing Services	1,009,955	-	-
81 Capital Outlay	-	-	-
93 Payments Related to Shared Services Arrangements	947,397	-	-
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 21,992,687</u>	<u>\$ 434,034</u>	<u>\$ 1,356,102</u>

Data Control Codes	
	<b>General Revenues:</b>
	<b>Taxes:</b>
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
E1	Extraordinary Item - resource
E2	Extraordinary Item - (Use)
TR	Total General Revenues and Extraordinary Items
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
		5	6
		Capital Grants and Contributions	Governmental Activities
\$	-	\$	(10,676,675)
	-		(313,816)
	-		(366,313)
	-		(367,805)
	-		(1,073,140)
	-		(577,179)
	-		(248,039)
	-		(280,128)
	-		(75,516)
	-		(638,500)
	-		(1,173,573)
	-		(2,324,602)
	-		(129,913)
	-		(1,009,955)
	1,290,000		1,290,000
	-		(947,397)
\$	<u>1,290,000</u>		<u>(18,912,551)</u>

11,144,425
7,561,191
193,394
2,218,701
1,095,220
<u>(1,679,788)</u>
20,533,143
1,620,592
64,063,511
<u>(12,863,082)</u>
<u>\$ 52,821,021</u>

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2018

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 13,444,601	\$ (432,203)	\$ (327,476)	\$ 12,684,922
1240 Due from Other Governments	1,133,392	924,889	579,777	2,638,058
1260 Due from Other Funds	311,298	-	2,020	313,318
1290 Other Receivables	-	5,484	-	5,484
1300 Inventories	-	-	6,137	6,137
1000 Total Assets	<u>\$ 14,889,291</u>	<u>\$ 498,170</u>	<u>\$ 260,458</u>	<u>\$ 15,647,919</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 164,267	\$ 310,536	\$ 37,098	\$ 511,901
2160 Accrued Wages Payable	654,043	-	107,914	761,957
2170 Due to Other Funds	298,311	-	15,007	313,318
2200 Accrued Expenditures	13,944	-	4,968	18,912
2000 Total Liabilities	<u>1,130,565</u>	<u>310,536</u>	<u>164,987</u>	<u>1,606,088</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	6,137	6,137
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	4,349	4,349
3470 Capital Acquisition and Contractual Obligation	-	187,634	-	187,634
Committed Fund Balance:				
3510 Construction	3,500,000	-	-	3,500,000
3545 Other Committed Fund Balance	-	-	91,122	91,122
3600 Unassigned Fund Balance	10,258,726	-	(6,137)	10,252,589
3000 Total Fund Balances	<u>13,758,726</u>	<u>187,634</u>	<u>95,471</u>	<u>14,041,831</u>
4000 Total Liabilities and Fund Balances	<u>\$ 14,889,291</u>	<u>\$ 498,170</u>	<u>\$ 260,458</u>	<u>\$ 15,647,919</u>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2018

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	14,041,831
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		18,179
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$83,626,339 and the accumulated depreciation was (\$33,318,903). The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.		50,307,436
3 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2018 capital outlays is to increase net position.		4,141,393
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 of (\$2,840,452), a Deferred Resource Inflow related to TRS in the amount of (\$480,886) and a Deferred Resource Outflow related to TRS in the amount of \$1,606,290. The net effect of these adjustments is to decrease net position.		(1,715,048)
5 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment needed to be made. The District's share of the TRS plan resulted in a net OPEB liability of (\$7,354,923), a deferred outflow of \$127,331 and a deferred inflow of (\$3,076,579). This net effect of these adjustments is to decrease net position.		(10,304,171)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,371,255)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing compensated absences of (\$297,344) and eliminating interfund transfers. The net effect of these reclassifications and recognitions is to decrease net position.		(297,344)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>52,821,021</b>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 223,615	\$ -	\$ 2,622,514	\$ 2,846,129
5800 State Program Revenues	12,373,511	-	72,530	12,446,041
5900 Federal Program Revenues	10,648,337	1,290,000	1,283,572	13,221,909
5020 Total Revenues	<u>23,245,463</u>	<u>1,290,000</u>	<u>3,978,616</u>	<u>28,514,079</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	11,586,354	-	2,275,439	13,861,793
0012 Instructional Resources and Media Services	356,155	-	-	356,155
0013 Curriculum and Instructional Staff Development	347,247	-	-	347,247
0021 Instructional Leadership	205,167	-	269,298	474,465
0023 School Leadership	1,364,582	-	15,102	1,379,684
0031 Guidance, Counseling and Evaluation Services	473,062	-	430,910	903,972
0033 Health Services	283,908	-	14,856	298,764
0034 Student (Pupil) Transportation	399,879	-	19,621	419,500
0035 Food Services	35,666	-	754,682	790,348
0036 Extracurricular Activities	691,643	-	16,057	707,700
0041 General Administration	1,239,076	-	33,560	1,272,636
0051 Facilities Maintenance and Operations	2,329,731	-	35,074	2,364,805
0052 Security and Monitoring Services	142,691	-	-	142,691
0053 Data Processing Services	1,059,328	-	26,615	1,085,943
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	3,817,604	169,549	3,987,153
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	947,397	-	-	947,397
6030 Total Expenditures	<u>21,461,886</u>	<u>3,817,604</u>	<u>4,060,763</u>	<u>29,340,253</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,783,577</u>	<u>(2,527,604)</u>	<u>(82,147)</u>	<u>(826,174)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	2,555,402	44,850	2,600,252
8911 Transfers Out (Use)	(2,667,651)	-	-	(2,667,651)
7080 Total Other Financing Sources (Uses)	<u>(2,667,651)</u>	<u>2,555,402</u>	<u>44,850</u>	<u>(67,399)</u>
<b>EXTRAORDINARY ITEMS:</b>				
7919 Extraordinary Item - Resource	1,095,220	-	-	1,095,220
8913 Extraordinary Item - (Use)	(1,679,788)	-	-	(1,679,788)
1200 Net Change in Fund Balances	<u>(1,468,642)</u>	<u>27,798</u>	<u>(37,297)</u>	<u>(1,478,141)</u>
0100 Fund Balance - September 1 (Beginning)	15,227,368	159,836	99,036	15,486,240
1300 Prior Period Adjustment	-	-	33,732	33,732
3000 Fund Balance - August 31 (Ending)	<u>\$ 13,758,726</u>	<u>\$ 187,634</u>	<u>\$ 95,471</u>	<u>\$ 14,041,831</u>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(1,478,141)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.		(12,933)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2018 capital outlays is to increase net position.		4,141,393
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(3,371,255)
Current year changes due to GASB 68 decreased revenues in the amount of (\$273,071) but also decreased expenditures in the amount of \$25,042. The net effect on the change is to decrease the ending net position.		(248,029)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment. The changes in the ending net position as a result of reporting the OPEB items was an increase in the change in net position.		2,592,643
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transfers and recognizing the change in compensated absences of (\$3,086). The net effect of these reclassifications and recognitions is to decrease net position.		(3,086)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>1,620,592</u>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 75,407
Total Assets	<u>75,407</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	<u>57,228</u>
Total Liabilities	<u>57,228</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>18,179</u>
Total Net Position	<u><u>\$ 18,179</u></u>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING EXPENSES:	
Payroll Costs	\$ 38,361
Other Operating Costs	41,971
Total Operating Expenses	80,332
Income (Loss) Before Transfers	(80,332)
Transfer In	67,399
Change in Net Position	(12,933)
Total Net Position - September 1 (Beginning)	31,112
 Total Net Position - August 31 (Ending)	 \$ 18,179

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Insurance Claims	\$ (28,236)
Cash Payments for Other Operating Expenses	(38,361)
Net Cash Used for Operating Activities	(66,597)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer (Out)/In	67,399
Net Increase in Cash and Cash Equivalents	802
Cash and Cash Equivalents at Beginning of Year	74,605
Cash and Cash Equivalents at End of Year	\$ 75,407
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (80,332)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	13,735
Net Cash Used for Operating Activities	\$ (66,597)

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 108,817
Total Assets	<u>\$ 108,817</u>
LIABILITIES	
Due to Student Groups	\$ 108,817
Total Liabilities	<u>\$ 108,817</u>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Pensions.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Other Post-Employment Benefits.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

*Fair Value.* Fort Sam Houston Independent School District applies Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board of Trustees (the “Board”), a five member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is appointed and has the exclusive power and duty to govern and oversee the management of the public schools of the District. It has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Fort Sam Houston Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The “operating grants and contributions” column indicates amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act and Individuals with Disabilities Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions.

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

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

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Impact Aid revenue is recognized as revenue in the fiscal year for which the funds are received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Impact Aid revenues and revenues received from the State are recognized under the “susceptible to accrual concept”, that is, when they are both measurable and available. The District considers them “available” if they are collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

## D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

2. **Internal Service Funds** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is its workers' compensation fund.

Fiduciary Funds:

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

## E. FUND BALANCE POLICY

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

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

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

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

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

Nonspendable		
Inventories in the food service fund		\$ 6,137
Total Nonspendable		<u>6,137</u>
Restricted		
Capital acquisition		187,634
Federal or State fund grant restrictions		4,349
Total Restricted		<u>191,983</u>
Committed		
Construction		3,500,000
Campus activity funds		91,122
Total Committed		<u>3,591,122</u>
Unassigned		
General Fund		10,258,726
Other Funds		(6,137)
Total Unassigned		<u>10,252,589</u>
Total Fund Balances		<u>\$ 14,041,831</u>

#### **F. OTHER ACCOUNTING POLICIES**

1. The District records reports inventories on the balance sheet at cost. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased.
2. The District records its investments in certificates of deposit and state sponsored money market accounts at fair value.
3. Unearned revenue accounted for on the balance sheet of the general fund and special revenue funds relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying commercial insurance policies. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the District.

5. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (OPEB), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).
6. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (pension & OPEB), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB).
7. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
9. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
10. An employee who retires from the District shall be eligible for reimbursement for unused local leave if the employee's retirement is voluntary. The employee shall be reimbursed for each day of local leave at the final daily rate of pay of the employee, to a maximum reimbursement payment of \$2,500.
11. Capital assets, which include buildings, furniture and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an “appropriated budget” for the General Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other report is in Exhibit J-1.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31,2018	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Funds	\$ -
Nonappropriated Budget Funds	<u>95,471</u>
All Special Revenue Funds	<u>\$ 95,471</u>

**B. COMPLIANCE**

The District overspent eleven functions in the General Fund and one function in the food service fund.

### C. INTERFUND BALANCES AND TRANSFERS

Interfund balances, primarily for payroll clearing purposes, at August 31, 2018 consisted of the following amounts:

**Due to General Fund From:**

Intrafund	\$ 296,291
Nonmajor Governmental Funds	<u>15,007</u>
Total Due to General Fund From Other Funds	<u>\$ 311,298</u>

**Due to Nonmajor Governmental Funds:**

General Fund	<u>\$ 2,020</u>
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 2,020</u>

**Transfers to Capital Project Fund From:**

General Fund	<u>\$ 2,555,402</u>
Total Transfers to Capital Project Fund	<u>\$ 2,555,402</u>

**Transfers to Nonmajor Governmental Funds From:**

General Fund	<u>\$ 44,850</u>
Total Transfers to Nonmajor Governmental Funds From Other Funds	<u>\$ 44,850</u>

**Transfers to Internal Service Fund From:**

General Fund	<u>\$ 67,399</u>
Total Transfers to Internal Service Funds	<u>\$ 67,399</u>

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

### III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

*Custodial Credit Risk for Deposits* State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The pledge of approved securities is waived only to the extent of the depository's bond or the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Since the District complies with this law, it has no custodial credit risk for deposits. At August 31, 2018 the District's deposits were covered by FDIC insurance.

As of August 31, 2018, Fort Sam Houston Independent School District had the following accounts, included as cash and cash equivalents on the balance sheet.

<b>Cash and Cash Equivalent Types</b>	<b>Fair Value</b>	<b>Maturities (in years)</b>			<b>Credit Rating</b>
		<b>Less than 1</b>	<b>1-10</b>	<b>More than 10</b>	
TexPool					
Investment Pool	\$ 4,027,621	\$ 4,027,621	\$ -	\$ -	AAAm
Lonestar					
Investment Pool	4,524	4,524			AAAm
Money Market					
Accounts	<u>8,727,560</u>	<u>8,727,560</u>	<u>-</u>	<u>-</u>	AAA
Total Cash and Cash Equivalents	<u>\$ 12,759,705</u>	<u>\$ 12,759,705</u>	<u>\$ -</u>	<u>\$ -</u>	

District Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an “A”; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than “AA-” or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Fort Sam Houston Independent School District is in substantial compliance with the requirements of the Act and with local policies.

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

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to bank certificates of deposit and State sponsored investment pools.

*Custodial Credit Risk for Investments* To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

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

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

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

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

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

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

Texas Local Government Investment Pool (Texpool); Texpool operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940. Texpool uses amortized cost rather than market value to report net assets to compute share prices.

Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool.

Texpool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate Texpool. In addition, the Texpool Advisory Board advises on Texpool's Investment Policy. This Board is composed equally of participants in Texpool and other persons who do not have a business relationship with Texpool who are qualified to advise Texpool. Financial information for Texpool can be accessed on the internet (<http://www.texpool.com>).

**B. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2018 were as follows:

	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>				
General Fund	\$ 1,133,392	\$ 311,298	\$ -	\$ 1,444,690
Capital Projects	924,889	-	5,484	930,373
Nonmajor Governmental Funds	<u>579,777</u>	<u>2,020</u>	<u>-</u>	<u>581,797</u>
Total Governmental Activities	<u>\$ 2,638,058</u>	<u>\$ 313,318</u>	<u>\$ 5,484</u>	<u>\$ 2,956,860</u>
Amount not scheduled for collection during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Payables at August 31, 2018 were as follows:

	Accounts Payables	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
<b>Governmental Activities:</b>					
General Fund	\$ 164,267	\$ 654,043	\$ 298,311	\$ -	\$ 1,116,621
Capital Projects Funds	310,536	-	-	-	310,536
Nonmajor Governmental Funds	<u>37,098</u>	<u>107,914</u>	<u>15,007</u>	<u>-</u>	<u>160,019</u>
Total Governmental Activities	<u>\$ 511,901</u>	<u>\$ 761,957</u>	<u>\$ 313,318</u>	<u>\$ -</u>	<u>\$ 1,587,176</u>
Amount not scheduled for payment during subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### C. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2018 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
<b>Governmental Activities:</b>					
Buildings and improvements	\$ 73,122,261	\$ -	\$ -	\$ 9,188,497	\$ 82,310,758
Furniture and equipment	4,322,959	154,240	-	-	4,477,199
Construction in progress	6,181,119	3,987,153	-	(9,188,497)	979,775
Total at historical cost	83,626,339	4,141,393	-	-	87,767,732
Less accumulated depreciation					
Buildings and improvements	(30,171,569)	(3,059,271)	-	-	(33,230,840)
Furniture and equipment	(3,147,334)	(311,984)	-	-	(3,459,318)
Total accumulated depreciation	(33,318,903)	(3,371,255)	-	-	(36,690,158)
Governmental activities capital assets, net	\$ 50,307,436	\$ 770,138	\$ -	\$ -	\$ 51,077,574

Depreciation for the year ended August 31, 2018 was charged to functions as follows:

Instruction	\$ 1,805,471
Instructional resources and media services	45,285
Curriculum and instructional staff development	111,772
Instructional leadership	73,526
School leadership	190,425
Guidance, counseling and evaluation services	127,551
Health services	50,325
Student (pupil) transportation	109,339
Food services	111,991
Extracurricular activities	102,398
General administration	162,377
Facilities maintenance and operations	320,252
Security and monitoring services	6,388
Data processing services	154,155
Total Depreciation Expense	\$ 3,371,255

**D. LONG-TERM OBLIGATIONS**

The long-term obligations of the District include accrued local leave for all employees. Changes in long-term obligations for the year ended August 31, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Compensated absences*	\$ 294,258	\$ 297,344	\$ 294,258	\$ 297,344	\$ 297,344
Total governmental activities	<u>\$ 294,258</u>	<u>\$ 297,344</u>	<u>\$ 294,258</u>	<u>\$ 297,344</u>	<u>\$ 297,344</u>

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

Liability	Activity Type	Fund
Compensated Absences	Governmental	General

**E. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2018, as follows:

Year Ended August 31,	
2018	\$ 30,048
2019	30,048
2020	30,048
2021	30,048
2022	30,048
Thereafter	<u>-</u>
Total Minimum Rentals	<u>\$ 150,240</u>
Rental Expenditures for Fiscal Year 2018	<u>\$ 83,566</u>

## **F. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

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

Each district's local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Fort Sam Houston Independent School District provides an additional five days per year leave above the state granted five days per year. Sick Leave is vested, upon resignation, termination or nonrenewal of contract, accumulated sick leave is paid at the employees' final daily rate for a maximum of \$2,500.

## **G. HEALTH CARE COVERAGE**

During the period ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$450 per month per employee and dependents based on employee coverage selection to the plan. All premiums were paid to a self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable annually and terms of coverage and premium costs are included in the contractual provisions.

## **H. DEFINED BENEFIT PENSION PLAN**

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

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

***Pension Plan Fiduciary Net Position.*** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

<b>Contributions Rates</b>		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 FY Employer Contributions		\$ 312,042
District's 2018 FY Member Contributions		\$ 1,174,852
Measurement Year NECE On-Behalf Contributions		\$ 926,710

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

1. 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.
2. During a new member's first 90 days of employment
3. When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

4. 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.
5. When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.** The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

**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. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$4,788,441	\$2,840,452	\$1,218,435

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2018, Fort Sam Houston Independent School District reported a liability of \$2,840,452 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Fort Sam Houston Independent School District. The amount recognized by Fort Sam Houston Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Fort Sam Houston Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,840,452
State's proportionate share that is associated with the District	9,060,027
Total	<u>\$ 11,900,479</u>

The net pension liability was measured as of August 31, 2017 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, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0088834607% which was an increase of 0.0001521428% from its proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation** – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2018, Fort Sam Houston Independent School District recognized pension expense of \$691,063 and revenue of \$691,063 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2018, Fort Sam Houston Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 41,557	\$ 153,182
Changes in actuarial assumptions	129,387	74,071
Net difference between projected and actual investment earnings	-	207,006
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,123,304	46,627
Contributions paid to TRS subsequent to the measurement date	312,042	-
Total	\$ 1,606,290	\$ 480,886

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2019	\$ 185,032
2020	366,345
2021	171,098
2022	101,041
2023	(1,434)
Thereafter	(8,720)

## I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

**Plan Description.** The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**OPEB Plan Fiduciary Net Position.** Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

Net OPEB Liability	Total
<hr/>	<hr/>
Total OPEB Liability	\$ 43,885,784,621
Less: Plan fiduciary net position	399,535,986
Net OPEB liability	<hr/>
	\$ 43,486,248,635
Net position as a percentage of total OPEB liability	<hr/>
	0.91%

**Benefits Provided.** TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

**TRS-Care Plan Premium Rates**  
Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

\*or surviving spouse

**Contributions.** Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

**Contributions Rates**

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding Remitted by Employers	1.00%	1.25%
District's 2018 FY Employer Contributions		\$ 126,180
District's 2018 FY Member Contributions		\$ 99,177
Measurement Year NECE On-Behalf Contributions		\$ 136,800

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

**Discount Rate.** A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	\$8,680,635	\$7,354,923	\$6,289,350

**Healthcare Cost Trend Rates Sensitivity Analysis -** The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$6,123,708	\$7,354,923	\$8,970,432

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2018, Fort Sam Houston Independent School District reported a liability of \$7,354,923 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Fort Sam Houston Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 7,354,923
State's proportionate share that is associated with the District	11,442,397
Total	<u>\$ 18,797,320</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0169132162% which was the same proportion measured as of August 31, 2016.

*Changes Since the Prior Actuarial Valuation* – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, Fort Sam Houston Independent School District recognized OPEB expense of \$(3,828,930) and revenue of \$(3,828,930) for support provided by the State.

At August 31, 2018, Fort Sam Houston Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ -	\$ 153,540
Changes in actuarial assumptions	-	2,923,039
Net difference between projected and actual investment earnings	1,117	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	34	-
Contributions paid to TRS subsequent to the measurement date	126,180	-
Total	\$ 127,331	\$ 3,076,579

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (405,806)
2020	(405,806)
2021	(405,806)
2022	(405,806)
2023	(406,085)
Thereafter	(1,046,119)

#### **J. MEDICARE PART D - ON BEHALF PAYMENTS**

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of Fort Sam Houston Independent School District for fiscal years 2016, 2017, and 2018 were \$54,144, \$43,150, and \$45,517.

#### **K. LITIGATION**

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate there is no pending litigation at August 31, 2018.

**L. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The District is in the process of facility renovations as of August 31, 2018. Related costs to be provided for in the 2018-2019 year are \$1,134,974.

**M. SHARED SERVICES ARRANGEMENT (“SSA”)**

**1. SSA - Fiscal Agent**

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

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

Expenditures of the SSA are summarized below:

	Fund No. 313	Fund No. 314	Fund No. 315	Fund No. 437
Member districts:				
Lackland ISD	\$ 269,994	\$ 11,805	\$ 37,988	\$ 584,877
Randolph Field ISD	269,994	11,805	33,164	684,757
Fort Sam Houston ISD	269,994	11,806	21,203	943,747
Total	<u>\$ 809,982</u>	<u>\$ 35,416</u>	<u>\$ 92,355</u>	<u>\$ 2,213,381</u>

**N. INSURANCE**

**Auto, Liability, and/or Property Programs**

During the year ended August 31, 2018, Fort Sam Houston Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

- Auto liability
- Auto physical damage
- Legal liability
- Privacy and information security
- Property

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2018, the Fund anticipates that Fort Sam Houston Independent School District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

#### **O. UNEMPLOYMENT COMPENSATION POOL**

During the year ended August 31, 2018, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Boards ("TASB") Risk Management Fund (the "TASB Fund"). The TASB Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code. The TASB Fund's Unemployment Compensation Program is authorized by Section 22.005 of the TEC and Chapter 172 of the Texas Local Government Code. All members participating in the TASB Fund execute Interlocal Agreements that define the responsibilities of the parties.

The TASB Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for unemployment compensation pool. For the year ended August 31, 2018, the Fund anticipates that the District will have no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

#### **P. WORKERS' COMPENSATION POOL**

Effective on September 1, 2014, the District entered into an interlocal agreement with Texas Public Schools Workers' Compensation Project, also referred to as SchoolComp, for the purpose of meeting its statutory obligation and providing the benefits prescribed by the Texas Workers' Compensation Act. Under this program, the District is a member of the self-funded pool. SchoolComp through its contractor, will manage all claims after notice of injury has been given. All districts participating in the plan execute an interlocal agreement that defines the responsibilities of the parties. The plan provides the statutory workers' compensation benefits to its members and their injured employees. The District contributed \$67,399 in the SchoolComp Fund in fiscal year 2018. Transactions are accounted for in the District's Internal Service Fund. The Fund provides coverage up to \$350,000 for any accident or occurrence and has a stop-loss coverage up to a limit of \$5,000.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2018 are reflected as claims payable of the Program. The Program is funded to discharge liabilities of the Program as they become due.

Changes in balances of claims liabilities are as follows:

	Year Ended 2018
Unpaid claims - Beginning	\$ 43,493
Incurred claims	24,210
Claim payments	<u>(10,475)</u>
Unpaid claims - Ending	<u>\$ 57,228</u>

#### Q. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements.

Fund	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 1,133,392	\$ -	\$ -	\$ 1,133,392
Capital Projects	-	924,889	-	924,889
Other Funds	<u>23,806</u>	<u>206,291</u>	<u>349,680</u>	<u>579,777</u>
Total	<u>\$ 1,157,198</u>	<u>\$ 1,131,180</u>	<u>\$ 349,680</u>	<u>\$ 2,638,058</u>

#### R. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Tuition and fees	\$ 1,300	\$ -	\$ -	\$ 1,300
Investment income	193,394	-	-	193,394
Foundation, gifts and bequests	-	-	1,670	1,670
Food sales	-	-	374,880	374,880
Extracurricular student activities	21,616	-	16,240	37,856
Shared services	-	-	2,217,031	2,217,031
Other	<u>7,305</u>	<u>-</u>	<u>12,693</u>	<u>19,998</u>
Total	<u>\$ 223,615</u>	<u>\$ -</u>	<u>\$ 2,622,514</u>	<u>\$ 2,846,129</u>

**S. GENERAL FUND FEDERAL SOURCES REVENUE**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Impact Aid - P.L. 103-382	84.041	\$ 10,228,294
Department of Defense Supplemental	12.558	355,819
ROTC	12.000	<u>64,224</u>
Total:		<u>\$ 10,648,337</u>

**T. EXTRAORDINARY ITEMS**

During the year the District received insurance proceeds in the amount of \$1,095,220 from their insurance provider to cover hail damage sustained to the District's property. Since the hail damage is considered a natural event that is both unusual in nature and infrequent in occurrence and thus an extraordinary item for financial statement reporting purposes.

There is no impairment gain or loss to be reported per GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* because the impairment is considered insignificant and temporary in nature.

**U. PRIOR PERIOD ADJUSTMENT**

Exhibit B-1

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Reporting for OPEB. With GASB 75, the District must assume their proportionate share of the OPEB Liability of the Teachers Retirement System of Texas TRS Care Plan. Adoption of GASB 75 required a prior adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is \$(12,896,814). The restated beginning net position is \$51,166,697.

Exhibit C-3

During the year, Student Activity funds of \$33,732 were transferred to Campus Activity funds. It was discovered that the nature of the activities resembled campus activity, rather than that of an agency fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 64,600	\$ 216,746	\$ 223,615	\$ 6,869
5800	State Program Revenues	11,992,980	12,203,000	12,373,511	170,511
5900	Federal Program Revenues	8,792,000	9,890,712	10,648,337	757,625
5020	Total Revenues	20,849,580	22,310,458	23,245,463	935,005
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	10,656,739	11,434,344	11,586,354	(152,010)
0012	Instructional Resources and Media Services	342,372	368,306	356,155	12,151
0013	Curriculum and Instructional Staff Development	396,728	353,690	347,247	6,443
0021	Instructional Leadership	204,196	197,316	205,167	(7,851)
0023	School Leadership	1,319,554	1,355,472	1,364,582	(9,110)
0031	Guidance, Counseling and Evaluation Services	439,176	470,414	473,062	(2,648)
0033	Health Services	245,872	278,783	283,908	(5,125)
0034	Student (Pupil) Transportation	613,214	444,215	399,879	44,336
0035	Food Services	21,699	37,429	35,666	1,763
0036	Extracurricular Activities	674,163	679,712	691,643	(11,931)
0041	General Administration	1,035,083	1,173,147	1,239,076	(65,929)
0051	Facilities Maintenance and Operations	2,233,538	2,234,291	2,329,731	(95,440)
0052	Security and Monitoring Services	170,105	138,336	142,691	(4,355)
0053	Data Processing Services	1,106,161	1,055,862	1,059,328	(3,466)
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of SSA	1,312,600	915,067	947,397	(32,330)
6030	Total Expenditures	20,771,200	21,136,384	21,461,886	(325,502)
1100	Excess of Revenues Over Expenditures	78,380	1,174,074	1,783,577	609,503
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(78,380)	(3,463,554)	(2,667,651)	795,903
<b>EXTRAORDINARY ITEMS:</b>					
7919	Extraordinary Item - Resource	-	1,305,220	1,095,220	(210,000)
8913	Extraordinary Item - (Use)	-	(2,646,202)	(1,679,788)	966,414
1200	Net Change in Fund Balances	-	(3,630,462)	(1,468,642)	2,161,820
0100	Fund Balance - September 1 (Beginning)	15,227,368	15,227,368	15,227,368	-
3000	Fund Balance - August 31 (Ending)	\$ 15,227,368	\$ 11,596,906	\$ 13,758,726	\$ 2,161,820

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.008883461%	0.0090356%	0.0098008%	0.0026244%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,840,452	\$ 3,414,420	\$ 3,464,452	\$ 701,013
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	9,060,027	10,576,783	9,851,552	8,424,474
Total	<u>\$ 11,900,479</u>	<u>\$ 13,991,203</u>	<u>\$ 13,316,004</u>	<u>\$ 9,125,487</u>
District's Covered Payroll	\$ 14,547,516	\$ 13,919,977	\$ 13,922,263	\$ 12,592,500
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	19.53%	24.53%	24.88%	5.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 312,042	\$ 288,122	\$ 286,644	\$ 290,206
Contribution in Relation to the Contractually Required Contribution	(312,042)	(288,122)	(286,644)	(290,206)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 15,281,940	\$ 14,547,516	\$ 13,919,977	\$ 13,922,263
Contributions as a Percentage of Covered Payroll	2.04%	1.98%	2.06%	2.08%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.016913216%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 7,354,923
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	11,442,397
Total	<u>\$ 18,797,320</u>
District's Covered Payroll	\$ 14,547,516
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	50.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 126,180
Contribution in Relation to the Contractually Required Contribution	(126,180)
	\$ -0-
Contribution Deficiency (Excess)	-0-
District's Covered Payroll	\$ 15,281,940
Contributions as a Percentage of Covered Payroll	0.83%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year..

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2018

A. Notes to Schedules for the TRS Pension

*Changes of Benefit terms.*

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

*Changes of Assumptions.*

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

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefit.*

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

*Changes in Assumptions.*

The following were changes to the actuarial assumptions or other inputs that affected measurement of Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

## **COMBINING AND OTHER STATEMENTS**

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2018

Data Control Codes	240 National Breakfast and Lunch Program	288 2012 DODEA Grant Fund	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 13,249	\$ 4,286	\$ (141,541)	\$ (1,452)
1240	Due from Other Governments	17,290	-	189,001	-
1260	Due from Other Funds	-	-	-	1,773
1300	Inventories	6,137	-	-	-
1000	Total Assets	<u>\$ 36,676</u>	<u>\$ 4,286</u>	<u>\$ 47,460</u>	<u>\$ 321</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 30,741	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	40,424	-
2170	Due to Other Funds	5,935	4,286	3,511	321
2200	Accrued Expenditures	-	-	3,525	-
2000	Total Liabilities	<u>36,676</u>	<u>4,286</u>	<u>47,460</u>	<u>321</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	6,137	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3600	Unassigned Fund Balance	(6,137)	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 36,676</u>	<u>\$ 4,286</u>	<u>\$ 47,460</u>	<u>\$ 321</u>

315 SSA IDEA, Part B Discretionary	410 State Textbook Fund	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 13	\$ (23,806)	\$ (269,347)	\$ 91,122	\$ (327,476)
-	23,806	349,680	-	579,777
-	-	247	-	2,020
-	-	-	-	6,137
<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 80,580</u>	<u>\$ 91,122</u>	<u>\$ 260,458</u>
\$ -	\$ -	\$ 6,357	\$ -	\$ 37,098
-	-	67,490	-	107,914
13	-	941	-	15,007
-	-	1,443	-	4,968
<u>13</u>	<u>-</u>	<u>76,231</u>	<u>-</u>	<u>164,987</u>
-	-	-	-	6,137
-	-	4,349	-	4,349
-	-	-	91,122	91,122
-	-	-	-	(6,137)
<u>-</u>	<u>-</u>	<u>4,349</u>	<u>91,122</u>	<u>95,471</u>
<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 80,580</u>	<u>\$ 91,122</u>	<u>\$ 260,458</u>

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	240 National Breakfast and Lunch Program	288 2012 DODEA Grant Fund	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 374,880	\$ -	\$ -	\$ -
5800 State Program Revenues	4,399	-	-	-
5900 Federal Program Revenues	345,819	-	809,982	35,416
5020 Total Revenues	725,098	-	809,982	35,416
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	-	574,062	19,137
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	235,920	16,279
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	754,682	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	15,266	-	-	-
0053 Data Processing Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	769,948	-	809,982	35,416
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,850)	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	44,850	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Prior Period Adjustment	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

315 SSA IDEA, Part B Discretionary	410 State Textbook Fund	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,217,031	\$ 30,603	\$ 2,622,514
-	68,131	-	-	72,530
92,355	-	-	-	1,283,572
92,355	68,131	2,217,031	30,603	3,978,616
83,603	119,501	1,475,293	3,843	2,275,439
-	-	269,298	-	269,298
-	-	14,823	279	15,102
-	-	178,711	-	430,910
-	-	14,856	-	14,856
8,752	-	10,869	-	19,621
-	-	-	-	754,682
-	-	-	16,057	16,057
-	-	33,560	-	33,560
-	-	19,808	-	35,074
-	-	26,615	-	26,615
-	-	169,549	-	169,549
92,355	119,501	2,213,382	20,179	4,060,763
-	(51,370)	3,649	10,424	(82,147)
-	-	-	-	44,850
-	(51,370)	3,649	10,424	(37,297)
-	51,370	700	46,966	99,036
-	-	-	33,732	33,732
\$ -	\$ -	\$ 4,349	\$ 91,122	\$ 95,471

## **T.E.A. REQUIRED SCHEDULES**

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 345,500	\$ 362,917	\$ 374,880	\$ 11,963
5800 State Program Revenues	4,200	4,399	4,399	-
5900 Federal Program Revenues	336,000	340,271	345,819	5,548
5020 Total Revenues	<u>685,700</u>	<u>707,587</u>	<u>725,098</u>	<u>17,511</u>
<b>EXPENDITURES:</b>				
0035 Food Services	738,780	738,780	754,682	(15,902)
0051 Facilities Maintenance and Operations	15,300	15,300	15,266	34
6030 Total Expenditures	<u>754,080</u>	<u>754,080</u>	<u>769,948</u>	<u>(15,868)</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(68,380)	(46,493)	(44,850)	1,643
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>68,380</u>	<u>46,493</u>	<u>44,850</u>	<u>(1,643)</u>
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **FEDERAL SECTION**

# COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Sam Houston Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Fort Sam Houston Independent School District's basic financial statements, and have issued our report thereon dated November 16, 2018.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as Finding 2018-1.

### **Compliance and Other Matters**

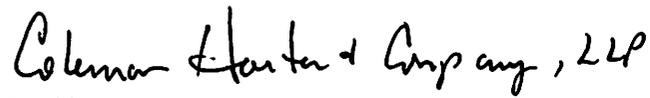
As part of obtaining reasonable assurance about whether the Fort Sam Houston Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which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

### **Fort Sam Houston Independent School District's Response to Findings**

Fort Sam Houston Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fort Sam Houston Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

  
Uvalde, Texas  
November 16, 2018

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

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

We have audited the Fort Sam Houston Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Fort Sam Houston Independent School District's major federal programs for the year ended August 31, 2018. Fort Sam Houston Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

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

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

In our opinion, the Fort Sam Houston Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

## Report on Internal Control over Compliance

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

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

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

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

*Coleman Houston & Company, LLP*

Uvalde, Texas  
November 16, 2018

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2018

**A. Summary of the Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Control deficiency(ies) identified?  X  Yes   No

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

Noncompliance material to financial statements noted?   Yes  X  No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified?   Yes  X  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #84.041	Impact Aid - P.L. 103-382

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

Auditee qualified as low-risk auditee?  X  Yes   No

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2018

**B. Financial Statement Findings**

**2018-1**

CONDITION: General Fund expenditures exceeded budget in eleven functions and the Food Service Fund exceeded budget in one function.

CRITERIA: The District is required to establish a budget at the beginning of the year and if necessary, make amendments during the year to reflect changes in the initial budget. The District is not allowed to have any expenditures in excess of final budgeted amounts.

CAUSE OF CONDITION: Subsequent review of the payroll accruals reflected a higher amount than what was budgeted by the District resulting in over-expenditures in several functions in the General and Food Service Funds.

POTENTIAL EFFECT OF CONDITION: Actual expenses exceeded budget.

RECOMMENDATION: We recommend that the District closely monitor budget during the year and especially at year-end to identify all accruals and payables that are owed by the District. The budget needs to reflect all accruals and payables as of year-end.

RESPONSIBLE PARTY: Julie Novak, Chief Financial Officer, 210-368-8705

**C. Federal Award Findings and Questioned Costs**

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2018

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2018

**2018-1**

The District will closely monitor the upcoming budget and propose any amendments to reflect the additional amounts.

Julie Novak, Chief Financial Officer, 210-368-8705

November 16, 2018

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
ROTC	12.000	N/A	\$ 64,224
Department of Defence Supplemental	12.558	N/A	<u>355,819</u>
Total Direct Programs			<u>420,043</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>420,043</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	53-TX-2018-0401	8,916,028
Impact Aid - P.L. 81.874	84.041	53-TX-2017-0401	<u>1,312,266</u>
Total CFDA Number 84.041			<u>10,228,294</u>
Total Direct Programs			<u>10,228,294</u>
<u>Passed Through State Department of Education</u>			
*SSA - IDEA - Part B, Formula	84.027A	19-6600010159146600	33,983
*SSA - IDEA - Part B, Formula	84.027A	18-6600010159146600	775,999
*SSA - IDEA - Part B, Discretionary	84.027A	H027A160008	<u>92,355</u>
Total CFDA Number 84.027A			<u>902,337</u>
*SSA - IDEA - Part B, Preschool	84.173A	18-6610010159146610	<u>35,416</u>
Total Special Education Cluster (IDEA)			<u>937,753</u>
Total Passed Through State Department of Education			<u>937,753</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>11,166,047</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	53,312
*National School Lunch Program - Cash Assistance	10.555	71301801	238,241
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	<u>54,266</u>
Total CFDA Number 10.555			<u>292,507</u>
Total Child Nutrition Cluster			<u>345,819</u>
Total Passed Through the State Department of Agriculture			<u>345,819</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>345,819</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 11,931,909</u>

\*Clustered Programs

\*\*Schedule doesn't include expenditures from Impact Aid Section 7008 Construction Grant in the amount of \$1,290,000 (CFDA # 84.040). According to the program information available from the Catalogue of Federal Domestic Assistance, this program is excluded from the audit requirements and coverage under the Uniform Guidance.

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2018

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

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

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

- The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.

## SCHOOLS FIRST QUESTIONNAIRE

Fort Sam Houston Independent School District

Fiscal Year 2018

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in 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.	\$2,840,452
SF13	Pension Expense (6147) at fiscal year-end.	