

**DEER PARK INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Year Ended June 30, 2014

DEER PARK INDEPENDENT SCHOOL DISTRICT
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DEER PARK INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF THE BOARD

Deer Park Independent School District

Name of School District

Harris

County

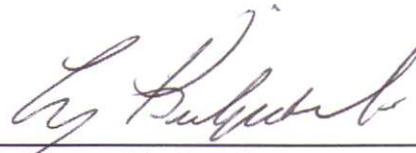
101-908

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2014, at a meeting of the Board of Trustees of such school district on November 17, 2014.



President of the Board



Secretary of the Board

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Deer Park Independent School District
Deer Park, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deer Park Independent School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

To the Board of Trustees
Deer Park Independent School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-14 and 52-53 respectively, 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 District's basic financial statements. The combining and individual nonmajor fund financial statements, and required Texas Education Agency ("TEA") schedules, as listed in the table of contents, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the required TEA schedules, as listed in the table of contents, 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, required TEA schedules, 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.

To the Board of Trustees
Deer Park Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 17, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DEER PARK INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Deer Park Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

Financial Highlights

The assets and deferred outflows of the District exceeded its liabilities at the close of the most recent fiscal year by \$153,992,775 (*net position*). Of this amount, \$88,954,153 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position increased by \$8,930,736.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$113,651,900, a decrease of \$17,801,486 in comparison with the prior year. The overall decrease in governmental fund balances was primarily due to a decrease in the capital projects fund balance of \$35,183,392 combined with an increase in the general fund balance of \$19,127,159.
- During the current fiscal year, unassigned fund balance for the general fund is 37 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$13,860,000 (5 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, and liabilities, with the difference between the three reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused sick leave).

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The *government-wide financial statements* of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction, Payments to Juvenile Justice Alternative Education Programs, and Appraisal District Fees.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the current fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains individual governmental funds for general, special revenue, debt service, capital projects and SSA-Energy for Schools funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, the capital projects fund and SSA-Energy Schools fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

Proprietary Fund

Internal service funds, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements. The District maintains individual internal service funds for health insurance, workers' compensation insurance coverage, USA club swim and early childhood extended day care center.

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide separate information for the Health Insurance fund, the Worker's Compensation Insurance fund, the Early Childhood Center (ECC) Extended Day Care fund, and the USA Club Swim fund.

Fiduciary Fund

The fiduciary funds are used to account for resources held for the benefit of students and employees. The District's *private purpose trust fund* is used to account for donations for scholarship funds that are received by the District to be awarded to students for post-secondary education purposes and for the student loan program. The District's *agency fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the current fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$153,992,775 at the close of the most recent fiscal year.

A large portion of the District's net position (\$58,481,368) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As of June 30, 2014, the District's net position included the following:

	Governmental Activities	
	2014	2013
Current and other assets	\$ 133,135,979	\$ 149,801,284
Capital and non current assets	312,457,440	301,025,044
Total Assets	445,593,419	450,826,328
Deferred charge on refunding		
Total Deferred Outflows of Resources	3,507,273	3,807,520
Current liabilities	15,479,010	14,109,635
Long term liabilities	279,628,907	295,462,174
Total Liabilities	295,107,917	309,571,809
Net Position:		
Net investment in capital assets	58,481,368	66,781,564
Restricted	6,557,254	8,297,350
Unrestricted	88,954,153	69,983,125
Total Net Position	\$ 153,992,775	\$ 145,062,039

Net position is restricted for various purposes as follows:

	Governmental Activities	
	2014	2013
Federal and state programs	\$ 6,783	\$ 30,771
Food service	2,178,032	2,273,814
Debt service	4,372,439	5,992,765
	\$ 6,557,254	\$ 8,297,350

The balance of unrestricted net position (\$88,954,153) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District reports positive balances in all three categories of net position. The District's net position increased by \$8,930,736 during the current fiscal year.

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	Governmental Activities	
	2014	2013
Program Revenues		
Charges for services	\$ 71,769,564	\$ 65,633,097
Operating grants	14,894,806	12,364,828
General Revenues		
Property taxes	113,984,409	107,499,636
State Aid - Formula Grants	18,519,884	9,703,555
Grants and contributions not restricted		454,319
Interest earnings	256,123	286,289
Other	899,125	983,812
Total Revenues	220,323,911	196,925,536
Expenses		
Instruction	71,926,743	69,198,227
Instructional resources and media services	1,697,775	1,624,495
Curriculum and staff development	2,306,851	2,355,638
Instructional leadership	835,461	799,794
School leadership	6,171,798	6,035,210
Guidance, counseling, and evaluation services	5,260,988	5,117,515
Social work services	87,234	84,941
Health services	977,577	944,983
Student transportation	4,055,236	4,036,858
Food service	7,105,968	6,751,865
Extracurricular activities	2,317,450	2,575,899
General administration	5,390,925	5,561,044
Facilities maintenance and operations	12,508,240	14,120,814
Energy for Schools SSA (See note 14b)	67,619,558	61,506,495
Security and monitoring services	1,496,076	1,168,750
Data processing services	4,787,640	6,403,344
Community services	179,306	142,889
Interest on long-term debt	10,212,654	9,316,379
Debt issuance costs and fees	4,550	390,366
Facilities repairs and maintenance	63,757	
Contracted instructional services between schools	2,076,527	2,262,593
Incremental costs related to WADA		6,750
Payments related to shared services arrangements	3,374,361	3,814,335
Other intergovernmental charges	936,500	1,018,534
Total Expenses	211,393,175	205,237,718
Increase (Decrease) in Net Position	8,930,736	(8,312,182)
Beginning net position	145,062,039	153,374,221
Prior period adjustment		(1,998,897)
Ending Net Position	\$ 153,992,775	\$ 145,062,039

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities increased the District's net position by \$8,930,736. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 67 percent of total revenues. The remaining is generated from charges for services, investment earnings, and miscellaneous revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 113,984,409	52%
State Aid - Formula Grants	18,519,884	8%
Operating grants and contributions	14,894,806	7%
Charges for services	71,769,564	32%
Other revenue	1,155,248	1%
Total Revenues	\$ 220,323,911	100%

The primary functional expenses of the District are instruction, facilities maintenance and operations, which represent 72 percent of total expenses. The remaining individual functional categories of expenses are each less than 6 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	\$ 71,926,743	34%
Facilities maintenance and operations (See note 14b)	80,127,798	38%
Other expenses	59,338,634	28%
Total Expenses	\$ 211,393,175	100%

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the current fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$113,651,900, a decrease of \$17,801,486 in comparison with the prior fiscal year. The decrease in ending governmental fund balances is primarily due to a planned decrease in the capital projects fund balance related to the District's ongoing construction projects.

The *general fund* is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$38,633,555, while total fund balance reached \$81,001,732. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37 percent of total general fund expenditures, while total fund balance represents 78 percent of that same

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

amount. The fund balance of the District's general fund increased by \$19,127,159 during the current fiscal year. The general fund balance increased primarily due to the budgeted reimbursement of expenditures from the capital projects fund combined with an increase in state program revenues.

The *debt service fund* has a total fund balance of \$8,023,219, all of which is restricted for the payment of debt service. The net decrease in the debt service fund balance during the current year of \$1,646,759 was in line with budgeted expectations.

The *capital projects fund* has a total fund balance of \$22,011,012, all of which is restricted for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$35,183,392 was due to ongoing renovations and construction of new facilities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 105,974,593	\$ 106,740,824
Total expenditures	(111,193,186)	(112,457,469)
Transfers in	7,200,000	7,200,000
Net change in fund balance	\$ 1,981,407	\$ 1,483,355

The review of the final amended budget versus actual for the general fund reflected that revenues were greater than budgetary estimates, primarily in state program revenues and expenditures were less than budgetary estimates, primarily in instruction.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2014, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was \$312,457,440. The following table summarizes the investment in capital assets as of June 30, 2014 and 2013.

	2014	2013
Land	\$ 16,380,197	\$ 16,380,197
Buildings and improvements	349,451,867	343,703,039
Furniture and equipment	28,043,265	25,526,023
Construction in progress	23,772,019	8,248,818
Total	417,647,348	393,858,077
Accumulated depreciation	(105,189,908)	(92,833,033)
Net capital assets	\$ 312,457,440	\$ 301,025,044

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District had \$257,065,000 in bonded debt outstanding, a decrease of \$13,860,000 over the previous year. The District's bonds are sold with a "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program. The underlying rating of the bonds from Standard and Poor's is "Aa+" and from Moody's Investors Service is "Aa1" for general obligation debt.

Changes in general obligation bonds, for the year ended June 30, 2014, are as follows:

Outstanding 07/01/13	Issued	Retired	Outstanding 06/30/14
<u>\$ 270,925,000</u>	<u>\$</u>	<u>\$ 13,860,000</u>	<u>\$ 257,065,000</u>

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Certified taxable values for the 2014/15 fiscal year are \$7,547,646,458 which is an increase from the 2013 certified values for the 2013/14 fiscal year of \$7,362,773,416. Single family home values have continued to increase, increasing from an average taxable value in 2013 of \$89,935 to \$85,977.
- The tax rate for 2013/14 was \$1.2367 for Maintenance and Operations and \$0.32 for Interest and Sinking, for a total rate of \$1.5567 per \$100 of assessed value. The tax rate for 2014/15 is the same rate for Maintenance and Operations and for Interest and Sinking, for a total rate of \$1.5567 per \$100 of assessed value.
- Total expenditures per student in the District's General Fund (199) were \$8,665 for 2013/14. The budgeted expenditures per student in the District's General Fund are \$9,009 for the 2014/15 fiscal year.
- The 2014-15 fiscal year should be similar to the 2013/14 fiscal year since the Legislature does not meet until January 2015. With the recent school finance ruling in favor of Texas schools districts being appealed to the Texas Supreme Court by the State and the outcome of recent state elections the next legislative session will be interesting and probably not in Texas school districts best interest. Ineos USA, LLC has begun construction on a large industrial facility which will be subject to a Chapter 313 tax value limitation agreement for M&O purposes but will be fully taxable for I&S purposes. The District entered into a Chapter 313 agreement with Equistar Chemicals LLC and is working with other local companies on potential Chapter 313 agreements.

These indicators were taken into account when adopting the general fund budget for the 2014/15 school year. The total Deer Park ISD adopted budget for 2014/15 is \$150,109,924, which represents the General Fund, Debt Service Fund and the Child Nutrition Fund.

DEER PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chief Financial Officer Pete Pape at the District's Business Office at Deer Park Independent School District, 2800 Texas Avenue, Deer Park, TX 77536, by phone at (832) 668-7035 or by e-mail at ppape@dpisd.org.

BASIC FINANCIAL STATEMENTS

DEER PARK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

Exhibit A-1

<u>Data Control Codes</u>	<u>Governmental Activities</u>
Assets	
1110 Cash and cash equivalents	\$ 81,461,096
1120 Current investments	42,933,494
1225 Property taxes receivables, net	4,094,652
1240 Due from other governments	2,388,873
1267 Due from fiduciary funds	4,373
1300 Inventories	454,768
1410 Prepaid items	1,798,723
Capital assets not subject to depreciation:	
1510 Land	16,380,197
1580 Construction in progress	23,772,019
Capital assets net of depreciation:	
1520 Buildings and improvements, net	260,872,615
1530 Furniture and equipment, net	11,432,609
1000 Total Assets	<u>445,593,419</u>
Deferred Outflows of Resources	
1700 Deferred charge on refunding	3,507,273
Total Deferred Outflows of Resources	<u>3,507,273</u>
Liabilities	
2110 Accounts payable	4,201,570
2140 Interest payable	4,288,663
2150 Payroll deductions and withholdings	627,744
2160 Accrued wages payable	5,342,480
2177 Due to fiduciary funds	
2180 Due to other governments	736,935
2190 Due to student groups	
2200 Accrued expenses	263,633
2300 Unearned revenue	17,985
2400 Payable from restricted assets	
Noncurrent Liabilities:	
2501 Due within one year	14,381,394
2502 Due in more than one year	265,247,513
2000 Total Liabilities	<u>295,107,917</u>
Net Position	
3200 Net investment in capital assets	58,481,368
Restricted for:	
3820 Federal and state programs	6,783
3840 Food service	2,178,032
3850 Debt service	4,372,439
3900 Unrestricted	88,954,153
3000 Total Net Position	<u>\$ 153,992,775</u>

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
	Governmental activities:				
11	Instruction	\$ 71,926,743	\$ 617,858	\$ 7,849,183	\$ (63,459,702)
12	Instructional resources and media services	1,697,775	98,428	60,044	(1,539,303)
13	Curriculum and staff development	2,306,851	53,475	734,055	(1,519,321)
21	Instructional leadership	835,461		41,405	(794,056)
23	School leadership	6,171,798	56,985	336,994	(5,777,819)
31	Guidance, counseling, and evaluation services	5,260,988		427,527	(4,833,461)
32	Social work services	87,234		4,583	(82,651)
33	Health services	977,577		805,411	(172,166)
34	Student transportation	4,055,236		134,358	(3,920,878)
35	Food service	7,105,968	2,809,152	3,591,487	(705,329)
36	Extracurricular activities	2,317,450	154,722	73,682	(2,089,046)
41	General administration	5,390,925		131,690	(5,259,235)
51	Facilities maintenance and operations	80,127,798	67,978,944	469,806	(11,679,048)
52	Security and monitoring services	1,496,076		14,533	(1,481,543)
53	Data processing services	4,787,640		112,944	(4,674,696)
61	Community services	179,306		107,104	(72,202)
72	Interest on long-term debt	10,212,654			(10,212,654)
73	Debt issuance costs and fees	4,550			(4,550)
81	Facilities repairs and maintenance	63,757			(63,757)
91	Contracted instructional services between schools	2,076,527			(2,076,527)
93	Payments related to shared services arrangements	3,374,361			(3,374,361)
99	Other intergovernmental charges	936,500			(936,500)
TG	Total governmental activities	\$ 211,393,175	\$ 71,769,564	\$ 14,894,806	(124,728,805)

Data Control Codes

General revenues:

Taxes:

MT	Property taxes, levied for general purposes	90,516,253
DT	Property taxes, levied for debt service	23,468,156
SF	State-aid formula grants	18,519,884
IE	Investment earnings	256,123
MI	Miscellaneous	899,125
TR	Total general revenues, and transfers	133,659,541
CN	Change in net position	8,930,736
NB	Net position - beginning	145,062,039
NE	Net position - ending	\$ 153,992,775

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

Data Control Codes	General Fund	Debt Service	Capital Projects
Assets			
1110 Cash and temporary investments	\$ 31,586,612	\$ 5,570,673	\$ 15,815,829
1120 Investments	48,973,523		9,983,466
Receivables:			
1220 Property taxes - delinquent	4,325,312	940,990	
1230 Allowance for uncollectible taxes (credit)	(1,008,491)	(163,159)	
1240 Receivables from other governments	1,114,117	84,332	
1260 Due from other funds	8,582,810	2,228,266	1,073,000
1300 Inventories, at cost	366,177		
1410 Prepaid items	1,797,683		
1000 Total Assets	\$ 95,737,743	\$ 8,661,102	\$ 26,872,295
Liabilities, Deferred Inflows, and Fund Balance			
Liabilities			
2110 Accounts payable	\$ 711,802	\$	\$ 2,842,675
2150 Payroll deduction and withholdings payable	609,039		
2160 Accrued wages payable	4,941,307		
2170 Due to other funds	4,949,988		2,018,608
2180 Payable to other governments	736,906		
2300 Unearned revenues	17,985		
2000 Total Liabilities	11,967,027		4,861,283
Deferred Inflows of Resources			
2600 Unavailable revenues - property taxes	2,768,984	637,883	
Deferred Inflows of Resources	2,768,984	637,883	
Fund Balance			
Non-Spendable			
3410 Inventories	366,177		
3430 Prepaid items	1,797,683		
Restricted			
3450 Federal/State funds grant restrictions			
3470 Capital acquisitions and contractual obligations			22,011,012
3480 Retirement of funded indebtedness		8,023,219	
3490 Other restricted			
Committed			
3510 Construction	3,000,000		
3530 Capital expenditures for equipment	4,000,000		
3545 Other purposes	33,000,000		
Assigned			
3590 Other purposes	204,317		
3600 Unassigned	38,633,555		
3000 Total fund balances	81,001,732	8,023,219	22,011,012
4000 Total Liabilities, Deferred Inflows, and Fund Balances	\$ 95,737,743	\$ 8,661,102	\$ 26,872,295

See Notes to the Financial Statements

Exhibit C-1

<u>SSA - Energy for Schools</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,912	\$ 4,457,574	\$ 57,437,600
		58,956,989
		5,266,302
		(1,171,650)
	1,190,424	2,388,873
	13,550	11,897,626
	88,591	454,768
	15	1,797,698
<u>\$ 6,912</u>	<u>\$ 5,750,154</u>	<u>\$ 137,028,206</u>
\$	\$ 645,853	\$ 4,200,330
		609,039
	384,664	5,325,971
	2,110,583	9,079,179
	29	736,935
		17,985
<u>_____</u>	<u>3,141,129</u>	<u>19,969,439</u>
<u>_____</u>	<u>_____</u>	<u>3,406,867</u>
<u>_____</u>	<u>_____</u>	<u>3,406,867</u>
	88,591	454,768
	15	1,797,698
	2,100,894	2,100,894
		22,011,012
		8,023,219
6,912		6,912
		3,000,000
		4,000,000
	424,195	33,424,195
		204,317
	(4,670)	38,628,885
<u>6,912</u>	<u>2,609,025</u>	<u>113,651,900</u>
<u>\$ 6,912</u>	<u>\$ 5,750,154</u>	<u>\$ 137,028,206</u>

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DEER PARK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
June 30, 2014

Exhibit C-2

Data Control Codes		
	Total fund balance, governmental funds	\$ 113,651,900
	Amounts reported for governmental activities in the statement of net position are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable	312,457,440
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	3,406,867
3	Deferred loss on refunding	3,507,273
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
4	General obligation bonds	(257,065,000)
5	Premiums on issuance	(22,429,357)
6	Accrued compensated absences	(134,550)
7	Accrued interest payable	(4,288,663)
8	Addition of Internal Service fund net position	4,886,865
19	Total net position-governmental activities	<u><u>\$ 153,992,775</u></u>

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Data Control Codes		General Fund	Debt Service	Capital Projects
Revenues				
5700	Local, intermediate, and out-of-state	\$ 92,393,381	\$ 23,620,185	\$ 93,639
5800	State program revenues	23,204,327		
5900	Federal program revenues	763,060	577,249	
5020	Total revenues	116,360,768	24,197,434	93,639
Expenditures				
Current:				
0011	Instruction	58,991,472		356,718
0012	Instruction resources and media services	1,129,882		138,520
0013	Curriculum and instructional staff development	1,647,260		
0021	Instructional leadership	839,929		
0023	School leadership	6,165,685		
0031	Guidance, counseling and evaluation services	5,074,798		
0032	Social work services	87,830		
0033	Health services	953,217		
0034	Student transportation	3,287,975		2,921
0035	Food services			647,246
0036	Extracurricular activities	2,249,065		549,577
0041	General administration	3,044,629		335,214
0051	Facilities maintenance and operations	11,647,023		5,903,444
0052	Security and monitoring services	985,318		582,084
0053	Data processing services	1,887,646		3,641,082
0061	Community services	81,285		
Debt service:				
0071	Principal on long-term debt		13,860,000	
0072	Interest on long-term debt		11,979,643	
0073	Bond issuance costs and fees		4,550	
Capital outlay:				
0081	Facilities acquisition and construction			15,920,225
Intergovernmental:				
0091	Contracted instructional services	2,076,527		
0093	Payments related to shared services arrangements	3,374,361		
0099	Other intergovernmental charges	936,500		
6030	Total Expenditures	104,460,402	25,844,193	28,077,031
1100	Excess (deficiency) of revenues over expenditures	11,900,366	(1,646,759)	(27,983,392)
Other Financing Sources (Uses)				
7912	Sale of real or personal property	6,422		
7915	Transfers in	7,220,371		
8911	Transfers out			(7,200,000)
7080	Total other financing sources and uses	7,226,793		(7,200,000)
1200	Net change in fund balances	19,127,159	(1,646,759)	(35,183,392)
0100	Fund Balance - July 1 (Beginning)	61,874,573	9,669,978	57,194,404
3000	Fund Balance - June 30 (Ending)	\$ 81,001,732	\$ 8,023,219	\$ 22,011,012

See Notes to the Financial Statements

Exhibit C-3

<u>SSA - Energy for Schools</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 67,619,558	\$ 3,662,319	\$ 187,389,082
	2,044,493	25,248,820
	7,252,617	8,592,926
<u>67,619,558</u>	<u>12,959,429</u>	<u>221,230,828</u>
	5,252,742	64,600,932
	114,208	1,382,610
	666,799	2,314,059
		839,929
	41,052	6,206,737
	178,198	5,252,996
		87,830
	2,602	955,819
		3,290,896
	6,398,889	7,046,135
		2,798,642
		3,379,843
67,619,558	250,000	85,420,025
		1,567,402
	34,348	5,563,076
	98,714	179,999
		13,860,000
		11,979,643
		4,550
		15,920,225
		2,076,527
		3,374,361
		936,500
<u>67,619,558</u>	<u>13,037,552</u>	<u>239,038,736</u>
	<u>(78,123)</u>	<u>(17,807,908)</u>
		6,422
		7,220,371
	<u>(20,371)</u>	<u>(7,220,371)</u>
	<u>(20,371)</u>	<u>6,422</u>
	(98,494)	(17,801,486)
<u>6,912</u>	<u>2,707,519</u>	<u>131,453,386</u>
<u>\$ 6,912</u>	<u>\$ 2,609,025</u>	<u>\$ 113,651,900</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	\$ (17,801,486)
	Amounts reported for <i>governmental activities</i> in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlays	23,789,271
2	Governmental activities depreciation expense	(12,356,875)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(924,417)
4	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	13,860,000
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
5	Increase in interest payable not recognized in fund statements	168,949
6	Decrease in long-term portion of accrued compensated absences	74,980
7	Accreted interest on capital appreciation bonds	7,710
8	Amortization of bond premium	1,890,577
9	Amortization of deferred loss on refunded bonds	(300,247)
10	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	<u>522,274</u>
	Change in net position of governmental activities (see B-1)	<u><u>\$ 8,930,736</u></u>

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT*Exhibit D-1***STATEMENT OF NET POSITION****PROPRIETARY FUNDS***June 30, 2014*

Data Control Codes		Governmental Activities- Internal Service Funds
	Assets	
	Current Assets:	
1110-75	Cash and cash equivalents	\$ 8,000,001
	Receivables:	
1260	Due from other funds	26,753
1410	Prepaid items	1,025
	Total current assets	<u>8,027,779</u>
1000	Total Assets	<u>8,027,779</u>
	Liabilities	
	Current Liabilities:	
2110	Accounts payable	1,240
2150	Payroll deduction and withholdings payable	18,705
2160	Accrued wages payable	16,509
2170	Due to other funds	2,840,827
2200	Accrued expenses	263,633
	Total current liabilities	<u>3,140,914</u>
2000	Total Liabilities	<u>3,140,914</u>
	Net Position	
3900	Unrestricted net position	4,886,865
3000	Total Net Position	<u>\$ 4,886,865</u>

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit D-2

Data Control Codes	Governmental Activities- Internal Service Funds
Operating Revenues	
5700 Charges for Services	\$ 1,411,910
5020 Total Operating Revenues	<u>1,411,910</u>
Operating Expenses	
6100 Payroll costs	431,528
6200 Purchased and contracted services	80,538
6300 Supplies and materials	14,989
6400 Claims expense and other operating expenses	<u>373,659</u>
6030 Total Operating Expenses	<u>900,714</u>
1200 Operating Income (Loss)	<u>511,196</u>
Non-Operating Revenues (Expenses)	
7020 Investment earnings	<u>11,078</u>
Total Non-operating Revenues (Expenses)	<u>11,078</u>
1200 Change in Net Position	522,274
0100 Net Position - July 1 (Beginning)	<u>4,364,591</u>
3300 Net Position - June 30 (Ending)	<u>\$ 4,886,865</u>

See Notes to the Financial Statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

Exhibit D-3

	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,412,452
Cash payments for insurance claims	(355,038)
Cash payments to suppliers for goods and services	(120,931)
Cash payments to employees	(431,031)
Net Cash Provided by (Used for) Operating Activities	<u>505,452</u>
Cash Flows from Investing Activities:	
Interest on investments	11,078
Net Cash Provided by Investing Activities	<u>11,078</u>
Net Increase in Cash and Cash Equivalents	516,530
Cash and Cash Equivalents at Beginning of Year	7,483,471
Cash and Cash Equivalents at End of Year	<u><u>\$ 8,000,001</u></u>
Reconciliaiton of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 511,196
Change in Assets and Liabilities:	
Decrease (increase) in Receivables	958
Decrease (increase) in Other Assets	(1,025)
Increase (decrease) in Accounts Payable	(639)
Increase (decrease) in Interfund Payables	497
Increase (decrease) in Accrued Expenses	(5,535)
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 505,452</u></u>

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT*Exhibit E-1***STATEMENT OF FIDUCIARY NET POSITION***For the Year Ended June 30, 2014*

Data Control Codes		Private Purpose Trust Funds	Agency Fund
	Assets		
1110	Cash and cash equivalents	\$ 94,625	\$ 705,651
	Receivables:		
1290	Other receivables	5,166	
1410	Prepaid items		3,740
1000	Total Assets	<u>99,791</u>	<u>\$ 709,391</u>
	Liabilities		
2110	Accounts payable	1,040	\$ 64,211
2170	Due to primary government		4,373
2190	Due to others		621,261
2200	Other accrued expenses		19,546
2000	Total Liabilities	<u>\$ 1,040</u>	<u>\$ 709,391</u>
	Net Position		
3800	Restricted	<u>\$ 98,752</u>	

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

Exhibit E-2

	Private Purpose Trust Funds
Additions	
Gifts and contributions	\$ 22,951
Total additions	<u>22,951</u>
Deductions	
Non-operating expenses	<u>17,997</u>
Total deductions	<u>17,997</u>
Change in net position	4,954
Net position beginning of year	<u>93,798</u>
Net position end of year	<u><u>\$ 98,752</u></u>

See Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Deer Park Independent School District (District) is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Deer Park Independent School District (the primary government) and its component unit. The financial statements of the component unit have been included in the financial reporting entity as a blended component unit.

Prior to January 1, 2013, the District participated in a self-funded health plan. The Deer Park Independent School District Medical Insurance Plan (the "Plan") was supervised by Trustees selected by the District. For financial reporting purposes, the Plan is reported as if it were part of the District's operations because its purpose is to provide benefits exclusively for the District. Although discontinued, the Plan's financial statements are included in the District's internal service funds, which are blended with other governmental activities in the government-wide financial statements, and will continue to be reported as such until it is determined that no runoff medical claims exist.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The fiduciary fund financial statements reflect the District's agency fund and private purpose trust fund. The private purpose trust fund reports using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.
- The *SSA-Energy for Schools fund* is used to account for a shared service arrangement for which the District is fiscal agent. The fund is used to account for payments received from member Districts and for payments for utilities through an electricity procurement cooperative.

Additionally, the District reports the following fund types:

- The *internal service fund* is a type of proprietary fund which accounts for workers' compensation and health services provided to other funds and/or employees of the District on a cost reimbursement basis. In addition, the internal service fund accounts for the District's extended day care program and the USA Club Swim program.
- The *agency fund* is a type of fiduciary fund and is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.
- The *private purpose trust fund* a type of fiduciary fund that is used to report all trust arrangements, other than those properly recorded in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, and other governments. The District accounts for student scholarships and student loans in a private purpose trust fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds and/or employees services related to the activity of the individual funds. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

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

Investments for the District are reported at fair value based on quoted market prices at June 30, 2014. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectibles. Allowances for uncollectible taxes receivable are based on the District's historical experience in collecting property taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Harris County Appraisal District as of January 1 of each year. The net assessed/appraised value for school tax purposes for fiscal year 2014 (tax year 2013) was \$7,427,867,476. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. The combined tax rate for fiscal year 2014 was \$1.5567, which was made up of \$1.2367 for maintenance and operations and \$.3200 for debt service. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. The total adjusted levy for fiscal year 2014 was \$115,629,613. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. 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 and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	60
Building improvements	Remaining life of building or 30 years, whichever is less
Furniture and equipment	10
Information systems (computer equipment)	7
Automobiles and trucks	10
Buses and heavy equipment	15

Note 1 - Summary of Significant Accounting Policies (continued)

H. Compensated Absences

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

I. Long-term Obligations

The District's long-term obligations consist of bonded indebtedness, health insurance, workers' compensation, and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

The current requirements for workers' compensation and compensated absences are accounted for in the general fund. The requirements for health insurance and workers' compensation insurance are accounted for in the internal service fund.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred inflows in the governmental activities related to deferred charges on the refunding of previously issued debt at June 30, 2014 was \$3,507,273.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The amount of deferred inflows in the governmental funds related to unavailable revenues for property taxes at June 30, 2014 was \$3,406,867.

K. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Debt Service Fund, Capital Projects Fund, Child Nutrition Fund and other grant funds are classified as restricted.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The general fund has committed funds consisting of the budget reserve account in the amount of \$28,000,000. The budget reserve account was legislated to set aside resources to cover unanticipated deficits or revenue reductions that may be caused by adverse economic conditions. In addition, the general fund has committed funds consisting of insurance deductibles in the event of a catastrophic loss fund in the amount of \$5,000,000, for capital expenditures of equipment in the amount of \$4,000,000, and for construction in the amount of \$3,000,000.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The District’s has assigned fund balances for encumbrances (See Note 1-L).

Unassigned fund balance – amounts that are available for any purpose. Positive numbers are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Per Policy CE local, assigned fund balance amounts are established by the Superintendent or his designee.

Note 1 - Summary of Significant Accounting Policies (continued)

K. Fund Equity (continued)

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

L. Encumbrances

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the fiscal year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at fiscal year-end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at year-end are included in restricted, committed, or assigned fund balance, as appropriate.

At June 30, 2014, certain amounts which were previously assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances reported as assigned fund balance in the general fund total \$204,317.

M. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

N. Use of Estimates

The presentation 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Cash Deposits: The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District's cash deposits at June 30, 2014, were entirely covered by FDIC insurance and pledged securities held by the District's agent in the name of the District.

Investments: The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, qualified commercial paper, repurchase agreements, or investment pools.

Local Government Investment Pools

For the year ended June 30, 2014, the District invested in the State of Texas Texpool, Logic and MBIA Texas Class Investment Pool. Texpool is duly chartered and overseen by the State Comptroller's Office and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service.

MBIA Texas Class Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered and managed by MBIA Municipal Investors Service Corporation. Wells Fargo Bank N.A. is the custodial bank. The primary objectives of MBIA Texas Class Pool, is to maintain safety of principal while providing participating government entities (Participants) with the highest possible rate of return for invested funds.

Mutual Funds

Lone Star Corporate Overnight Plus Fund is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, and managed by Bank of New York Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. The Corporate Overnight Plus Fund may invest in all securities authorized under the Investment Act. However, it is the Board's policy to have these additional restrictions:

- The Corporate Overnight Plus Fund shall not invest its assets in any one nongovernmental issuer in an amount that exceeds 5 percent of the total fund assets at cost.
- If an A-1 or P-1 investment is placed on the watch list with negative implications by a rating agency, the investment manager must sell the investment within one week.

Insured Deposit Portal

Insured Deposit Portal ("IDP") is a federally insured deposit program. IDP represents a fiduciary level investment in well capitalized FDIC insured community banks across the nation. The investments are spread among IDP's collection of banks in pieces no greater than the \$250,000 FDIC insured amount. Accordingly, the entire investment is FDIC insured. The District's investments in this program consist of certificates of deposit.

Note 2 - Deposits and Investments (continued)

Mutual Funds (continued)

At year-end, the District's cash and investment balances and the weighted average maturity of these investments were as follows:

	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>
Governmental Activities		
Cash and deposits	\$ 6,656,657	N/A
<i>Investments</i>		
Certificates of deposit	<u>23,016,697</u>	30
Local Government Investment Pools		
MBIA Texas CLASS	275,196	50
Logic	103,863	56
TexPool	<u>116,982</u>	51
	<u>496,041</u>	
Mutual Funds		
Lone Star	<u>51,297,189</u>	61
Investment Securities		
Commercial Paper	40,928,792	69
Federal Home Loan Bank	<u>1,999,214</u>	235
Total Investments	<u>117,737,933</u>	60
Total Governmental Activities	<u>124,394,590</u>	
Fiduciary Funds		
Cash and Deposits	422,037	N/A
Mutual Funds - Lone Star	<u>378,239</u>	61
Total Fiduciary Funds	<u>800,276</u>	
Total	<u>\$ 125,194,866</u>	

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 360 days.

Note 2 - Deposits and Investments (continued)

At June 30, 2014, the District's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

	Fair Value	Investment Maturity in Years	
		Less than 1	1-5
Certificates of Deposit	\$ 23,016,697	\$ 23,016,697	
Local Government Investment Pools:			
MBIA Texas CLASS	275,196	275,196	
Logic	103,863	103,863	
TexPool	116,982	116,982	
Mutual Funds - Lone Star	51,675,428	51,675,428	
Investment Securities:			
Commercial Paper	40,928,792	40,928,792	
Federal Home Loan Bank	1,999,214	1,999,214	
	<u>\$ 118,116,172</u>	<u>\$ 118,116,172</u>	<u>\$</u>

Credit Risk: State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of June 30, 2014, the District's investment MBIA Texas CLASS, Logic and TexPool was rated AAAM by Standard and Poor's. The District's investment in Lone Star Corporate Overnight Plus Fund was rated AAAs by Standard and Poor's. The District's investment in Agency Securities were rated AAA by Standard and Poor's. The District's investment in Commercial Paper was rated A-1+ by Standard and Poor's.

Concentration of Credit Risk: The District's investment policy does not require the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's investments in Lone Star, commercial paper, and certificates of deposit represent 41%, 33% and 18%, respectively, of the District's total investments.

The investments are reported by the District at fair value. The amount of investment earnings during the year ended June 30, 2014, was \$256,227.

Note 3 - Receivables

Receivables as of June 30, 2014, for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service	Other		Total
			Governmental Funds	Fiduciary Funds	
Property Taxes	\$ 4,325,312	\$ 940,990	\$	\$	\$ 5,266,302
Due from other governments	1,114,117	84,332	1,190,424		2,388,873
Other				5,166	5,166
Gross Receivables	5,439,429	1,025,322	1,190,424	5,166	7,660,341
Less allowance for doubtful accounts	(1,008,491)	(163,159)			(1,171,650)
Net Total Receivables	<u>\$ 4,430,938</u>	<u>\$ 862,163</u>	<u>\$ 1,190,424</u>	<u>\$ 5,166</u>	<u>\$ 6,488,691</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenues in the governmental funds for advanced collections of fees in the amount of \$17,985.

DEER PARK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1
(continued)

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 01, 2013	Additions	(Retirements) and Transfers	Balance June 30, 2014
Capital assets, not being depreciated				
Land	\$ 16,380,197	\$	\$	\$ 16,380,197
Construction in progress	8,248,818	15,523,201		23,772,019
Total Capital assets, not being depreciated	24,629,015	15,523,201		40,152,216
Capital assets, being depreciated				
Buildings and improvements	343,703,039	5,748,828		349,451,867
Furniture and equipment	25,526,023	2,517,242		28,043,265
Total Capital assets, being depreciated	369,229,062	8,266,070		377,495,132
Less accumulated depreciation for:				
Buildings and improvements	(78,159,627)	(10,419,625)		(88,579,252)
Furniture and Equipment	(14,673,406)	(1,937,250)		(16,610,656)
Total Accumulated depreciation	(92,833,033)	(12,356,875)		(105,189,908)
Governmental Capital Assets	\$ 301,025,044	\$ 11,432,396	\$	\$ 312,457,440

Depreciation expense was charged to functions/programs of the District as follows:

Function	Depreciation Expense
Instruction	\$ 7,722,961
Instructional resources and media services	321,579
Guidance, counseling and evaluation services	33,508
Health services	25,811
Student transportation	783,202
Food Services	685,903
Extracurricular activities	43,228
General administration	2,036,370
Plant maintenance and operations	640,692
Security and monitoring services	56,439
Data processing services	7,182
	<u>\$ 12,356,875</u>

The District has active construction projects as of June 30, 2014. At June 30, 2014, the District's commitments with contractors are as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
North Campus and Wolters Renovations	\$ 34,214,459	\$ 23,772,019	\$ 10,442,440

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of June 30, 2014, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
Governmental Activities:			
General Fund	\$ 8,582,810	\$ 4,949,988	\$ 3,632,822
Debt Service	2,228,266		2,228,266
Capital Projects	1,073,000	2,018,608	(945,608)
Nonmajor Governmental Funds	13,550	2,110,583	(2,097,033)
Proprietary Funds	<u>26,753</u>	<u>2,840,827</u>	<u>(2,814,074)</u>
Total Governmental Activities	11,924,379	11,920,006	4,373
Fiduciary Funds		<u>4,373</u>	<u>(4,373)</u>
Total	<u>\$ 11,924,379</u>	<u>\$ 11,924,379</u>	<u>\$</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the year ended June 30, 2014:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 7,200,000
Nonmajor Governmental Fund	General Fund	20,371
		<u>\$ 7,220,371</u>

Interfund transfers were made from the capital projects fund to the general fund as a budgeted reimbursement for funds expended from the general fund for capital outlay. Additionally, an interfund transfer from a nonmajor governmental fund to the general fund was necessary to eliminate a special revenue fund for a program was closed in a prior reporting period.

Note 6 - Compensated Absences and Other Retirement/Sick Leave Benefits

Upon retirement or death of certain employees, the District pays any accrued sick leave in a lump sum cash payment to such employee or the employee’s estate. The value of the accumulated sick leave is determined by the employee’s rate of pay on June 30, 1991 and includes only those hours accumulated as of that date. Individuals employed after June 30, 1991 are not eligible to receive the lump sum payments. The following summarizes the District’s liability and the changes for the year:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions - Payments to Participants</u>	<u>Balance June 30, 2014</u>
Compensated absences payable	\$ 209,530	\$	\$ (74,980)	\$ 134,550

Note 7 - Long-term Liabilities

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Deer Park Independent School District.

The District is subject to a legal debt margin in which the net indebtedness shall not exceed 10 percent of all assessed real and personal property in the District. At June 30, 2014, the legal debt margin amounted to \$471,315,610.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 270,925,000		\$ (13,860,000)	\$ 257,065,000	\$ 14,325,000
Premiums/discounts	24,319,934		(1,890,577)	22,429,357	
Accreted interest on premium compound interest bonds	7,710		(7,710)		
Compensated absences payable	209,530		(74,980)	134,550	56,394
	<u>\$ 295,462,174</u>	<u>\$</u>	<u>\$ (15,833,267)</u>	<u>\$ 279,628,907</u>	<u>\$ 14,381,394</u>

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, and term bonds, with various amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

<u>Issue</u>	<u>Original</u> <u>issuance</u> <u>amount</u>	<u>Interest Rate</u> <u>(%)</u>	<u>Maturity Date</u>	<u>Debt</u> <u>Outstanding</u>
Limited Tax School Building and Refunding Bonds, Series 2006	40,000,000	3.50% to 5.25%	2030	\$ 14,065,000
Limited Tax School Building Bonds, Series 2007	35,200,000	3.25% to 5.25%	2027	16,620,000
Limited Tax School Building Bonds, Series 2008	54,595,000	3.00% to 4.65%	2028	47,035,000
Limited Tax Refunding Bonds, Series 2009	13,800,000	2.00% to 4.00%	2020	13,725,000
Limited Tax School Building Bonds, Series 2010A	6,310,000	2.00% to 5.00%	2020	5,515,000
Limited Tax School Building Bonds, Series 2010B	35,600,000	4.296% to 5.488%	2030	35,600,000
Limited Tax School Building and Refunding Bonds, Series 2012	60,535,000	1.5% to 5.00%	2030	58,000,000
Limited Tax School Building and Refunding Bonds, Series 2013	35,600,000	2.00 to 5.00%	2030	53,550,000
Limited Tax School Building and Refunding Bonds, Series 2013	56,465,000	2.00 to 5.00%	2030	12,955,000
				<u>\$ 257,065,000</u>

Note 7 - Long-term Liabilities (continued)

Debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Totals
2015	\$ 14,325,000	\$ 11,499,970	\$ 25,824,970
2016	14,850,000	11,048,046	25,898,046
2017	15,485,000	10,449,190	25,934,190
2018	16,175,000	9,781,027	25,956,027
2019	16,890,000	9,064,814	25,954,814
2020 - 2024	83,625,000	34,406,273	118,031,273
2025 - 2029	78,815,000	15,268,149	94,083,149
2030	16,900,000	830,244	17,730,244
	<u>\$ 257,065,000</u>	<u>\$ 102,347,713</u>	<u>\$ 359,412,713</u>

In July 2010 the District sold \$41,910,000 of bonds for capital projects. All but \$6,310,000 of this debt was issued under a new federal program titled “Build America Bonds,” through which the District receives semiannual subsidies equal to 35% of the interest it pays on the bonds. In the year ended June 30, 2014, the District received \$577,249 in such subsidies.

Prior Years’ Refunding of Long-Term Debt

In prior years, the District defeased, certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District’s financial statements. At June 30, 2014, \$37,125,000 of previously refunded debt outstanding was considered defeased.

Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service	Capital Projects	SSA - Energy for Schools	Other Governmental Funds	Total
Property Taxes	\$ 91,033,417	\$ 23,546,483	\$	\$	\$	\$ 114,579,900
Penalties, interest and other tax related revenue	264,736	64,190				328,926
Investment Income	126,549	9,512	93,639		15,345	245,045
Co-curricular student activities	300,393				518,044	818,437
Tuition and fees	126,981					126,981
SSA - Member Districts				67,619,558	147,086	67,766,644
Food Sales					2,809,152	2,809,152
Other	541,305				172,692	713,997
	<u>\$ 92,393,381</u>	<u>\$ 23,620,185</u>	<u>\$ 93,639</u>	<u>\$67,619,558</u>	<u>\$ 3,662,319</u>	<u>\$ 187,389,082</u>

Note 9 - General Fund Federal Source Revenues

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
Summer School LEP	84.369A	\$ 6,678
School Health and Related Service (SHARS)	N/A	756,382
		<u>\$ 763,060</u>

Note 10 - Operating Leases

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of June 30, 2014. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2014, amounted to \$132,000.

Note 11 - Pension Information

Plan Description

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

Service Requirement

1. Normal Age 65 with 5 years of service
 Any combination of age and service totaling 80 with at least 5 years of service

2. Reduced Age 55 with at least 5 years of service
 Any age below 50 with 30 years of service

Note 11 - Pension Information (continued)

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012 and a state contribution rate of 6.8% for fiscal year 2014 of all employees’ eligible gross earnings, except for those staff members being paid from and participating in federally funded programs. State statutes establish these rates.

Contributions

The statutory minimum requirements are based on the State of Texas teacher schedules adjusted based on local tax rates. For staff members funded by federal programs, the federal programs are required to contribute 6.8% for fiscal year 2014, 6.4% for fiscal year 2013 and 6.0% for fiscal year 2012

Contributions made by the State, District and staff members for the year ended June 30, 2014, and the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

Fiscal Year	State TRS Contributions Made on Behalf Of the District	District Required Contributions To TRS	Staff Members' Contributions To TRS	District's Annual Covered Payroll
2014	\$ 3,931,465	\$ 1,290,318	\$ 4,963,923	\$ 77,561,287
2013	3,690,021	1,091,897	4,869,151	75,489,452
2012	2,886,245	873,806	4,008,655	62,635,213

For the current fiscal year and each of the past two years, the District’s actual contributions were equal to 100 percent of the required contributions. The contributions made by the state on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

Note 12 - Retiree Health Plan

Plan Description

The Deer Park Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retire Plan provides health care coverage for certain person (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

Benefit Provisions and Service Requirements

Retirees can receive a free basic level of coverage and optional coverage is also available. All dependent coverage is optional. Basic coverage is a comprehensive major medical group health insurance plan. Generally, TRS public school retirees with more than 10 years of service and their dependents are eligible for this insurance coverage.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were .5% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2014, 2013, and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute .5%.

Contributions made by the State, District and staff members for the year ended June 30, 2014, and the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

Fiscal Year	State TRS Care Contributions Made on Behalf Of the District	District Required Contributions To TRS Care	Staff Members' Contributions To TRS Care	District's Annual Payroll Covered
2014	\$ 678,011	\$ 458,708	\$ 504,150	\$ 77,561,287
2013	474,736	438,228	494,523	75,489,452
2012	376,709	374,864	407,081	62,635,213

Note 12 - Retiree Health Plan (continued)

For the current fiscal year and each of the past two years, the District’s actual contributions were equal to 100 percent of the required contributions. The contributions made by the state on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the year ended June 30, 2014, June 30, 2013 and June 30, 2012, the subsidy payments received by TRS-Care on behalf of the District were \$208,257, \$286,584, and \$166,969, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 13 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

Health Insurance

Prior to January 1, 2013, the District established a modified self-insurance plan to provide health insurance to employees and their dependents. The District contributed a minimum of \$230 per month per employee that participated in the plan; employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. Premiums were paid into the internal service fund by all other funds and were available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums were reported as revenues in the internal service fund.

Liabilities of the fund were reported when it was probable that a loss had occurred and the amount of the loss can be reasonably estimated. Liabilities also included an estimated amount for claims that had been incurred but not reported (IBNRs). The result of the process to estimate the claims liability was based on the District’s historical experience. An excess coverage insurance policy covered individual claims in excess of \$100,000. The District also had an aggregate excess insurance policy with an excess limit of \$1,000,000. There were no significant reductions in insurance coverage from the prior period. Settlements have not exceeded coverage’s for each of the past three fiscal years. Changes in the balances of claims liabilities during the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2014	\$	\$ 63,492	\$ 63,492	\$
2013	484,986	5,897,064	6,382,050	
2012	612,515	9,698,598	9,826,127	484,986

Subsequent to January 1, 2013, the District was no longer self-insured for health insurance, however, the self-funded insurance program continues to provide funding for run out claims incurred prior to January 1, 2013.

Note 13 - Risk Management (continued)

Workers' Compensation

The District established a limited risk management program for workers' compensation in 2006 by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Fund, Deer Park ISD is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are reported as revenues in the internal service fund.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$300,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior period. Settlements have not exceeded coverage's for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2014	\$ 269,168	\$ 286,011	\$ 291,546	\$ 263,633
2013	289,566	254,107	274,505	269,168
2012	315,157	193,793	219,384	289,566

Note 14 - Shared Service Arrangements/Joint Ventures

A. Visually Impaired Shared Service Arrangement

The District is the fiscal agent for a Shared Service Arrangement (SSA) which provides teachers for the visually impaired to member districts. In addition to the District, other member districts include five (5) districts and one cooperative as follows:

Barbers Hill ISD	Channelview ISD	Goose Creek ISD
Liberty County Co-op	Sheldon ISD	La Porte ISD

Note 14 - Shared Service Arrangements/Joint Ventures (continued)

All services are provided by the fiscal agent and the manager is responsible for all financial activities of the shared services arrangement. According to guidance provided in the Texas Education Agency’s Financial Accountability and Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue fund No. 434. Funds are provided by state appropriations through an education service center. Revenues and expenditures are summarized as follows:

Revenues	
5700 Local revenue from member districts	\$ 147,086
5800 State revenue distributed by TEA	20,000
	<u>\$ 167,086</u>
Expenditures	
6100 Payroll costs	\$ 169,897
6400 Miscellaneous operating costs	580
	<u>\$ 170,477</u>

B. Energy for Schools Shared Service Arrangement

The District is the fiscal agent for the Energy for Schools Shared Service Arrangement. Energy for Schools is a state electricity procurement cooperative with 101 members across the state participating in the program. Funds are provided by the member districts as charges for their electric consumption at the contracted rates. The District has accounted for the fiscal agent’s activities of the Energy for Schools SSA in Special Revenue fund No. 459. Revenues and expenditures are summarized as follows:

Revenues	
5700 Local revenue from member districts	\$ 67,619,558
	<u>\$ 67,619,558</u>
Expenditures	
6200 Professional and contracted services	\$ 67,619,558
	<u>\$ 67,619,558</u>

Of this total, \$3,374,361, or approximately 5.1 percent, of this SSA is attributable to Deer Park ISD’s participation.

Note 15 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 16 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it has no arbitrage liability as of June 30, 2014.

Note 17 - Contracted Instructional Services between Schools

During the year ended June 30, 2014, the District did not purchased attendance credits to equalize its wealth per weighted average daily attendance (“WADA”).

Note 18 - Related Organizations

The Deer Park Education Foundation (“Foundation”), a non-profit entity which was organized to provide educational grants, is a “related organization” as defined by *Government Accounting Standards Board* Statement No. 61. The members of the Board of Directors of the Foundation are appointed by an outside taxpayer group.

Note 19 - Deficit Fund Balance

The Deer Park Education Foundation had deficit fund balance of \$4,670. The District plans to eliminate this deficit fund balance through future operations.

REQUIRED SUPPLEMENTARY INFORMATION

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local revenues	\$ 90,620,669	\$ 90,786,900	\$ 92,393,381	\$ 1,606,481
5800	State program revenues	14,971,424	15,571,424	23,204,327	7,632,903
5900	Federal program revenues	382,500	382,500	763,060	380,560
5020	Total revenues	<u>105,974,593</u>	<u>106,740,824</u>	<u>116,360,768</u>	<u>9,619,944</u>
Expenditures					
Current:					
0011	Instruction	63,532,109	63,989,069	58,991,472	4,997,597
0012	Instruction resources and media services	1,318,220	1,325,681	1,129,882	195,799
0013	Curriculum and instructional staff	1,775,712	1,841,370	1,647,260	194,110
0021	Instructional leadership	992,327	998,612	839,929	158,683
0023	School leadership	6,647,299	6,752,067	6,165,685	586,382
0031	Guidance, counseling and evaluation services	4,962,045	4,996,649	5,074,798	(78,149)
0032	Social work services	33,754	90,319	87,830	2,489
0033	Health services	1,005,777	1,012,135	953,217	58,918
0034	Student transportation	3,757,187	3,709,625	3,287,975	421,650
0036	Extracurricular activities	2,327,546	2,409,496	2,249,065	160,431
0041	General administration	3,043,874	3,300,948	3,044,629	256,319
0051	Facilities maintenance and operations	11,401,586	11,670,618	11,647,023	23,595
0052	Security and monitoring services	1,220,765	1,221,326	985,318	236,008
0053	Data processing services	1,962,730	2,018,279	1,887,646	130,633
0061	Community services	109,353	113,373	81,285	32,088
Capital Outlay:					
0081	Facilities acquisition and construction				
Intergovernmental:					
0091	Contracted instructional services	2,599,086	2,474,086	2,076,527	397,559
0092	Incremental costs related to WADA	105,000	10,000		10,000
0093	Payments related to shared services arrangements	3,553,816	3,553,816	3,374,361	179,455
0099	Payments to appraisal district	845,000	970,000	936,500	33,500
6030	Total Expenditures	<u>111,193,186</u>	<u>112,457,469</u>	<u>104,460,402</u>	<u>7,997,067</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(5,218,593)</u>	<u>(5,716,645)</u>	<u>11,900,366</u>	<u>17,617,011</u>
Other Financing Sources (Uses)					
7912	Sale of property			6,422	6,422
7915	Transfers in	7,200,000	7,200,000	7,220,371	20,371
7080	Total other financing sources and uses	<u>7,200,000</u>	<u>7,200,000</u>	<u>7,226,793</u>	<u>26,793</u>
1200	Net change in fund balances	1,981,407	1,483,355	19,127,159	17,643,804
0100	Fund balances - beginning	<u>61,874,573</u>	<u>61,874,573</u>	<u>61,874,573</u>	
3000	Fund balances - ending	<u>\$ 63,855,980</u>	<u>\$ 63,357,928</u>	<u>\$ 81,001,732</u>	<u>\$ 17,643,804</u>

See Notes to Required Supplementary Information

A. Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund and Child Nutrition Fund during the fiscal year ended June 30, 2014. During the year ended June 30, 2014, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition</u>
Amendments Approved	\$ 1,264,283	\$ 21,000

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2013. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

B. Expenditures in Excess of Appropriations

At end of the current fiscal year, expenditures in the District’s general fund and debt service fund exceeded appropriations in the following functions:

General Fund		
Guidance, counseling and evaluation services	\$	78,149
Debt Service Fund		
Interest on long term debt	\$	532,311

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OTHER SUPPLEMENTARY INFORMATION

DEER PARK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

Data Control Codes		206	211	224
		ESEA, Title III-B, Education for Homeless Children and Youth	ESEA Title I, A - Improving Basic Ed.	IDEA B - Formula
	Assets			
1110	Cash and temporary investments	\$	\$	\$
	Receivables:			
1240	Receivables from other governments	7,814	133,345	276,985
1260	Due from other funds			
1310	Inventories, at cost			
1410	Prepaid items			
1000	Total Assets	<u>\$ 7,814</u>	<u>\$ 133,345</u>	<u>\$ 276,985</u>
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	\$	\$ 10,326	\$
2160	Accrued wages payable	4,271	51,126	119,476
2170	Due to other funds	3,543	71,893	157,509
2180	Due to other governments			
2000	Total Liabilities	<u>7,814</u>	<u>133,345</u>	<u>276,985</u>
	Fund Balance:			
	Non-Spendable:			
3410	Inventories			
3430	Prepaid items			
	Restricted:			
3450	Federal/State funds grant restrictions			
	Committed:			
3545	Other purposes			
3600	Unassigned			
3000	Total Fund Balances	<u></u>	<u></u>	<u></u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,814</u>	<u>\$ 133,345</u>	<u>\$ 276,985</u>

225	240	244	255
<u>IDEA B - Preschool</u>	<u>National School Breakfast and Lunch</u>	<u>Vocational Ed. - Basic</u>	<u>ESEA Title II, A - Training and Recruiting</u>
\$	\$ 3,984,295	\$	\$
5,463	93,679	18,811	54,033
	88,591		
<u>\$ 5,463</u>	<u>\$ 4,166,565</u>	<u>\$ 18,811</u>	<u>\$ 54,033</u>
\$	\$ 111,194	\$	\$ 10,096
2,737	163,038		17,772
2,726	1,714,272	18,811	26,165
	29		
<u>5,463</u>	<u>1,988,533</u>	<u>18,811</u>	<u>54,033</u>
	88,591		
	2,089,441		
	<u>2,178,032</u>		
<u>\$ 5,463</u>	<u>\$ 4,166,565</u>	<u>\$ 18,811</u>	<u>\$ 54,033</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

Data Control Codes	263	397	404
Data Control Codes	ESEA Title III, A - English Lang. Acquisition	Advanced Placement Incentive	Student Success Initiative
Assets			
1110	Cash and temporary investments	\$ 7,715	\$
Receivables:			
1240	Receivables from other governments	20,768	
1260	Due from other funds		
1310	Inventories, at cost		
1410	Prepaid items		
1000	Total Assets	\$ 20,768	\$
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	Accounts payable	\$ 1,588	\$
2160	Accrued wages payable	3,080	
2170	Due to other funds	16,100	
2180	Due to other governments		
2000	Total Liabilities	20,768	
Fund Balance:			
Non-Spendable:			
3410	Inventories		
3430	Prepaid items		
Restricted:			
3450	Federal/State funds grant restrictions	7,715	
Committed:			
3545	Other purposes		
Unassigned			
3000	Total Fund Balances	7,715	
4000	Total Liabilities and Fund Balances	\$ 7,715	\$

410	423	427	434	461
<u>Instructional Materials Allotment</u>	<u>Barbara Bush Family Literacy</u>	<u>Texas Women's University Reading Recovery</u>	<u>SSA - Visually Impaired</u>	<u>Campus Activity Fund</u>
\$	\$	\$ 1,161	\$ 8,357	\$ 445,227
555,358			24,168	
				15
<u>\$ 555,358</u>	<u>\$</u>	<u>\$ 1,161</u>	<u>\$ 32,525</u>	<u>\$ 445,242</u>
\$ 463,542	\$	\$ 1,161	\$	\$ 21,010
10,164			13,000	
81,652			17,890	22
<u>555,358</u>	<u>\$</u>	<u>1,161</u>	<u>30,890</u>	<u>21,032</u>
				15
			1,635	
				424,195
			<u>1,635</u>	<u>424,210</u>
<u>\$ 555,358</u>	<u>\$</u>	<u>\$ 1,161</u>	<u>\$ 32,525</u>	<u>\$ 445,242</u>

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DEER PARK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

Exhibit H-1
Page 3 of 3

Data Control Codes	481	483	Total Nonmajor Governmental Funds
Assets			
1110 Cash and temporary investments	\$ 8,716	\$ 2,103	\$ 4,457,574
Receivables:			
1240 Receivables from other governments			1,190,424
1260 Due from other funds	13,550		13,550
1310 Inventories, at cost			88,591
1410 Prepaid items			15
1000 Total Assets	<u>\$ 22,266</u>	<u>\$ 2,103</u>	<u>\$ 5,750,154</u>
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110 Accounts payable	\$ 26,936	\$	\$ 645,853
2160 Accrued wages payable			384,664
2170 Due to other funds			2,110,583
2180 Due to other governments			29
2000 Total Liabilities	<u>26,936</u>	<u></u>	<u>3,141,129</u>
Fund Balance:			
Non-Spendable:			
3410 Inventories			88,591
3430 Prepaid items			15
Restricted:			
3450 Federal/State funds grant restrictions		2,103	2,100,894
Committed:			
3545 Other purposes			424,195
Unassigned	<u>(4,670)</u>		<u>(4,670)</u>
3000 Total Fund Balances	<u>(4,670)</u>	<u>2,103</u>	<u>2,609,025</u>
4000 Total Liabilities and Fund Balances	<u>\$ 22,266</u>	<u>\$ 2,103</u>	<u>\$ 5,750,154</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Data Control Codes	206 ESEA, Title III-B, Education for Homeless Children and Youth	211 ESEA Title I, A - Improving Basic Ed.	224 IDEA B - Formula
Revenues			
5700	Local, intermediate, and out-of-state	\$	\$
5800	State program revenues		
5900	Federal program revenues	50,304	1,233,366
5020	Total Revenues	<u>50,304</u>	<u>1,233,366</u>
Expenditures			
Current:			
0011	Instruction	4,728	844,570
0012	Instruction resources and media services		
0013	Curriculum and instructional staff development		316,035
0023	School leadership		19,623
0031	Guidance, counseling and evaluation services		178,198
0033	Health services		
0035	Food service		
0051	Facilities maintenance and operations		
0053	Data processing services		
0061	Community services	45,576	53,138
6030	Total Expenditures	<u>50,304</u>	<u>1,233,366</u>
1100	Excess (deficiency) of revenues over expenditures		
Other Financing Sources (Uses)			
8911	Transfers out		
7080	Total other financing sources and uses		
1200	Net change in fund balances		
0100	Fund balance - July 1 (beginning)		
3000	Fund balance - June 30 (ending)	<u>\$</u>	<u>\$</u>

225	240	244	255
<u>IDEA B - Preschool</u>	<u>National School Breakfast and Lunch</u>	<u>Vocational Ed. - Basic</u>	<u>ESEA Title II, A - Training and Recruiting</u>
\$	\$ 2,820,465	\$	\$
	163,113		
<u>29,428</u>	<u>3,569,529</u>	<u>88,093</u>	<u>283,085</u>
<u>29,428</u>	<u>6,553,107</u>	<u>88,093</u>	<u>283,085</u>
29,428		88,093	230,868
			52,217
	6,398,889		
	250,000		
<u>29,428</u>	<u>6,648,889</u>	<u>88,093</u>	<u>283,085</u>
	<u>(95,782)</u>		
	(95,782)		
	<u>2,273,814</u>		
<u>\$</u>	<u>\$ 2,178,032</u>	<u>\$</u>	<u>\$</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Data Control Codes	263	397	404
Data Control Codes	ESEA Title III, A - English Lang. Acquisition	Advanced Placement Incentive	Student Success Initiative
Revenues			
5700	Local, intermediate, and out-of-state	\$	\$
5800	State program revenues		40,275
5900	Federal program revenues	167,512	
5020	Total Revenues	<u>167,512</u>	<u>40,275</u>
Expenditures			
Current:			
0011	Instruction	112,322	
0012	Instruction resources and media services		
0013	Curriculum and instructional staff development	55,190	40,275
0023	School leadership		
0031	Guidance, counseling and evaluation services		
0033	Health services		
0035	Food service		
0051	Facilities maintenance and operations		
0053	Data processing services		
0061	Community services		
6030	Total Expenditures	<u>167,512</u>	<u>40,275</u>
1100	Excess (deficiency) of revenues over expenditures		
Other Financing Sources (Uses)			
8911	Transfers out		
7080	Total other financing sources and uses		
1200	Net change in fund balances		
0100	Fund balance - July 1 (beginning)		<u>7,715</u>
3000	Fund balance - June 30 (ending)	<u>\$</u>	<u>\$ 7,715</u>

410	423	427	434	461
Instructional Materials Allotment	Barbara Bush Family Literacy	Texas Women's University Reading Recovery	SSA - Visually Impaired	Campus Activity Fund
\$ 1,803,945	\$	\$ 17,160	\$ 147,086 20,000	\$ 522,076
<u>1,803,945</u>		<u>17,160</u>	<u>167,086</u>	<u>522,076</u>
1,572,458		17,160	169,897	356,355
8,564				105,644
187,732			580	14,770
				21,429
				2,602
34,348				
<u>1,803,102</u>		<u>17,160</u>	<u>170,477</u>	<u>500,800</u>
<u>843</u>			<u>(3,391)</u>	<u>21,276</u>
	(20,371)			
	(20,371)			
843	(20,371)		(3,391)	21,276
(843)	20,371		5,026	402,934
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,635</u>	<u>\$ 424,210</u>

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DEER PARK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Exhibit H-2
Page 3 of 3

Data Control Codes		481	483	
		Deer Park Education Foundation	Outdoor Learning Centers	Total-Other Governmental Funds
	Revenues			
5700	Local, intermediate, and out-of-state	\$ 172,692	\$	\$ 3,662,319
5800	State program revenues			2,044,493
5900	Federal program revenues			7,252,617
5020	Total Revenues	<u>172,692</u>		<u>12,959,429</u>
	Expenditures			
	Current:			
0011	Instruction	172,692	1,069	5,252,742
0012	Instruction resources and media services			114,208
0013	Curriculum and instructional staff development			666,799
0023	School leadership			41,052
0031	Guidance, counseling and evaluation services			178,198
0033	Health services			2,602
0035	Food service			6,398,889
0051	Facilities maintenance and operations			250,000
0053	Data processing services			34,348
0061	Community services			98,714
6030	Total Expenditures	<u>172,692</u>	<u>1,069</u>	<u>13,037,552</u>
1100	Excess (deficiency) of revenues over expenditures		<u>(1,069)</u>	<u>(78,123)</u>
	Other Financing Sources (Uses)			
8911	Transfers out			(20,371)
7080	Total other financing sources and uses			<u>(20,371)</u>
1200	Net change in fund balances		(1,069)	(98,494)
0100	Fund balance - July 1 (beginning)	<u>(4,670)</u>	<u>3,172</u>	<u>2,707,519</u>
3000	Fund balance - June 30 (ending)	<u>\$ (4,670)</u>	<u>\$ 2,103</u>	<u>\$ 2,609,025</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-3

COMBINING STATEMENTS OF NET POSITION

INTERNAL SERVICE FUNDS

June 30, 2014

Data Control Codes		753 Health Insurance Fund	771 Workers' Compensation Fund	775 ECC - Extended Day Care	776 USA Club Swim	Total
	Assets					
	Current assets:					
1110	Cash and cash equivalents	\$ 5,954,604	\$ 1,904,748	\$ 117,057	\$ 23,592	\$ 8,000,001
	Receivables:					
1260	Due from other funds	25,983	770			26,753
1410	Prepaid items	609	416			1,025
	Total Current Assets	<u>5,981,196</u>	<u>1,905,934</u>	<u>117,057</u>	<u>23,592</u>	<u>8,027,779</u>
1000	Total Assets	<u>5,981,196</u>	<u>1,905,934</u>	<u>117,057</u>	<u>23,592</u>	<u>8,027,779</u>
	Liabilities					
	Current Liabilities:					
2110	Accounts payable				1,240	1,240
2150	Payroll deduction and withholdings payable	18,705				18,705
2160	Accrued wages payable			16,509		16,509
2170	Due to other funds	2,839,871		956		2,840,827
2200	Accrued expenses		263,633			263,633
	Total current liabilities	<u>2,858,576</u>	<u>263,633</u>	<u>17,465</u>	<u>1,240</u>	<u>3,140,914</u>
2000	Total Liabilities	<u>2,858,576</u>	<u>263,633</u>	<u>17,465</u>	<u>1,240</u>	<u>3,140,914</u>
	Net Position					
3900	Unrestricted net position	<u>3,122,620</u>	<u>1,642,301</u>	<u>99,592</u>	<u>22,352</u>	<u>4,886,865</u>
3000	Total Net Position	<u>\$ 3,122,620</u>	<u>\$ 1,642,301</u>	<u>\$ 99,592</u>	<u>\$ 22,352</u>	<u>\$ 4,886,865</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-4

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2014

<u>Data Control Codes</u>	<u>753 Health Insurance Fund</u>	<u>771 Workers' Compensation Fund</u>	<u>775 ECC - Extended Day Care</u>	<u>776 USA Club Swim</u>	<u>Total</u>
Operating Revenues					
5700 Charges for Services	\$ 482,259	\$ 585,868	\$ 245,480	\$ 98,303	\$ 1,411,910
5020 Total Operating Revenues	<u>482,259</u>	<u>585,868</u>	<u>245,480</u>	<u>98,303</u>	<u>1,411,910</u>
Operating Expenses					
6100 Payroll costs	130,456	43,394	244,802	12,876	431,528
6200 Purchased and contracted services	35,000			45,538	80,538
6300 Supplies and materials			4,580	10,409	14,989
6400 Claims expense and other operating expenses	63,492	286,011	1,526	22,630	373,659
6030 Total Operating Expenses	<u>228,948</u>	<u>329,405</u>	<u>250,908</u>	<u>91,453</u>	<u>900,714</u>
1200 Operating Income (Loss)	<u>253,311</u>	<u>256,463</u>	<u>(5,428)</u>	<u>6,850</u>	<u>511,196</u>
Non-Operating Revenues (Expenses)					
7020 Earnings - temporary deposits and investments	8,547	2,531			11,078
Total Nonoperating Revenues	<u>8,547</u>	<u>2,531</u>			<u>11,078</u>
1200 Change in Net Position	261,858	258,994	(5,428)	6,850	522,274
0100 Net Position - July 1 (Beginning)	<u>2,860,762</u>	<u>1,383,307</u>	<u>105,020</u>	<u>15,502</u>	<u>4,364,591</u>
3300 Net Position - June 30 (Ending)	<u>\$ 3,122,620</u>	<u>\$ 1,642,301</u>	<u>\$ 99,592</u>	<u>\$ 22,352</u>	<u>\$ 4,886,865</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2014

	753 Health Insurance Fund	771 Workers' Compensation Fund	775 ECC - Extended Day Care	776 USA Club Swim	Total
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash received from user charges	\$ 482,832	\$ 585,837	\$ 245,480	\$ 98,303	\$ 1,412,452
Cash payments for insurance claims	(63,492)	(291,546)			(355,038)
Cash payments to suppliers for goods and services	(35,609)		(6,106)	(79,216)	(120,931)
Cash payments to employees	(130,013)	(43,394)	(244,748)	(12,876)	(431,031)
Net Cash Provided by (Used for) Operating Activities	253,718	250,897	(5,374)	6,211	505,452
Cash Flows from Investing Activities:					
Interest on investments	8,547	2,531			11,078
Net Cash Provided by Investing Activities	8,547	2,531			11,078
Net Increase in Cash and Cash Equivalents	262,265	253,428	(5,374)	6,211	516,530
Cash and Cash Equivalents at Beginning of Year	5,692,339	1,651,320	122,431	17,381	7,483,471
Cash and Cash Equivalents at End of Year	\$ 5,954,604	\$ 1,904,748	\$ 117,057	\$ 23,592	\$ 8,000,001
Reconciliation to Balance Sheet					
Cash and Cash Equivalents Per Cash Flow	\$ 5,954,604	\$ 1,904,748	\$ 117,057	\$ 23,592	\$ 8,000,001
Cash and Cash Equivalents per Balance Sheet	\$ 5,954,604	\$ 1,904,748	\$ 117,057	\$ 23,592	\$ 8,000,001
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 253,311	\$ 256,463	\$ (5,428)	\$ 6,850	\$ 511,196
Change in Assets and Liabilities:					
Decrease (increase) in Receivables	573	385			958
Decrease (increase) in Prepaid Items	(609)	(416)			(1,025)
Increase (decrease) in Accounts Payable				(639)	(639)
Increase (decrease) in Payroll deduction and withholdings payable	443		54		497
Increase (decrease) in Claims Payable		(5,535)			(5,535)
Net Cash Provided by (Used for) Operating Activities	\$ 253,718	\$ 250,897	\$ (5,374)	\$ 6,211	\$ 505,452

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-6

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

Data Control Codes		848 Employee Scholarship Fund	849 Student Loan Fund	Total Private Purpose Trust Funds
	Assets			
1110	Cash and cash equivalents	\$ 94,625	\$	\$ 94,625
	Receivables:			
1290	Other receivables		5,166	5,166
1000	Total Assets	<u>94,625</u>	<u>5,166</u>	<u>99,791</u>
	Liabilities			
2110	Accounts payable	1,000	40	1,040
2000	Total Liabilities	<u>1,000</u>	<u></u>	<u>1,000</u>
	Net Position			
3800	Restricted	<u>\$ 93,626</u>	<u>\$ 5,126</u>	<u>\$ 98,752</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

Exhibit H-7

	848	849	
	Employee Scholarship Fund	Student Loan Fund	Total Private Purpose Trust Funds
	<hr/>	<hr/>	<hr/>
Additions			
Gifts and contributions	\$ 22,951	\$	\$ 22,951
Total additions	<hr/> 22,951 <hr/>	<hr/>	<hr/> 22,951 <hr/>
Deductions			
Non-operating expenses	17,997		17,997
Total deductions	<hr/> 17,997 <hr/>	<hr/>	<hr/> 17,997 <hr/>
Change in net position	4,954		4,954
Net position beginning of year	<hr/> 88,672 <hr/>	<hr/> 5,126 <hr/>	<hr/> 93,798 <hr/>
Net position end of year	<hr/> \$ 93,626 <hr/>	<hr/> \$ 5,126 <hr/>	<hr/> \$ 98,752 <hr/>

REQUIRED TEA SCHEDULES

DEER PARK INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended June 30, 2014

Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 7/01/2013
	1 Maintenance	2 Debt Service		
2005 and prior	Various	Various	Various	\$ 430,136
2006	1.600000	0.205500	6,447,583,827	144,431
2007	1.458700	0.203600	7,062,841,485	112,744
2008	1.106700	0.210950	7,270,178,272	76,011
2009	1.106700	0.230000	7,519,036,732	114,823
2010	1.106700	0.260000	7,002,985,805	154,624
2011	1.106700	0.290000	6,487,707,562	156,561
2012	1.106700	0.290000	6,762,334,288	201,779
2013	1.236700	0.290000	7,105,010,873	2,666,574
2014	1.236700	0.320000	7,427,867,476	
1000 Totals				<u><u>\$ 4,057,683</u></u>

Penalty and interest receivable on taxes

Total taxes receivable per Exhibit C-1

Exhibit J-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2014
\$	\$ 5,266	\$ 676	\$ (88,706)	\$ 335,488
	1,435	184	(419)	142,393
	739	103	(1,333)	110,569
	7,077	1,349	1,668	69,253
	16,155	3,357	11,098	106,409
	17,043	4,004	15,127	148,704
	18,270	4,787	(12,598)	120,906
	35,241	9,234	(2,139)	155,165
	128,615	30,160	(2,132,213)	375,586
<u>115,629,613</u>	<u>90,152,034</u>	<u>23,327,121</u>		<u>2,150,458</u>
<u>\$ 115,629,613</u>	<u>\$ 90,381,875</u>	<u>\$ 23,380,975</u>	<u>\$ (2,209,515)</u>	3,714,931
				<u>1,551,371</u>
				<u>\$ 5,266,302</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH FUND
For the Year Ended June 30, 2014

Exhibit J-4

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>			
Revenues					
5700	Local revenues	\$2,836,042	\$2,836,042	\$ 2,820,465	\$ (15,577)
5800	State program revenues	153,381	174,381	163,113	(11,268)
5900	Federal program revenues	3,582,737	3,582,737	3,569,529	(13,208)
5020	Total Revenues	<u>6,572,160</u>	<u>6,593,160</u>	<u>6,553,107</u>	<u>(40,053)</u>
Expenditures					
Current:					
0035	Food services	6,536,194	6,557,194	6,398,889	158,305
0051	Facilities maintenance and operations	250,000	250,000	250,000	
6030	Total Expenditures	<u>6,786,194</u>	<u>6,807,194</u>	<u>6,648,889</u>	<u>158,305</u>
1200	Net change in fund balances	(214,034)	(214,034)	(95,782)	118,252
0100	Fund balances - beginning	<u>2,273,814</u>	<u>2,273,814</u>	<u>2,273,814</u>	
3000	Fund balances - ending	<u>\$2,059,780</u>	<u>\$2,059,780</u>	<u>\$ 2,178,032</u>	<u>\$ 118,252</u>

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit J-5

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended June 30, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 21,089,493	\$ 23,231,703	\$ 23,620,185	\$ 388,482
5900	Federal program revenues	569,660	569,660	577,249	7,589
5020	Total Revenues	<u>21,659,153</u>	<u>23,801,363</u>	<u>24,197,434</u>	<u>396,071</u>
Expenditures					
Current:					
Debt Service:					
0071	Principal on long-term debt	13,870,000	13,870,000	13,860,000	10,000
0072	Interest on long-term debt	11,447,332	11,447,332	11,979,643	(532,311)
0073	Bond issuance costs and fees	30,000	30,000	4,550	25,450
6030	Total Expenditures	<u>25,347,332</u>	<u>25,347,332</u>	<u>25,844,193</u>	<u>(496,861)</u>
1200	Net change in fund balances	(3,688,179)	(1,545,969)	(1,646,759)	(100,790)
0100	Fund balances - beginning	<u>9,669,978</u>	<u>9,669,978</u>	<u>9,669,978</u>	
3000	Fund balances - ending	<u>\$ 5,981,799</u>	<u>\$ 8,124,009</u>	<u>\$ 8,023,219</u>	<u>\$ (100,790)</u>

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FEDERAL AWARDS SECTION

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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
Deer Park Independent School District
Deer Park, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deer Park Independent School District (the “District”), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2013-001.

The District's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 17, 2014

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

To the Board of Trustees
Deer Park Independent School District
Deer Park, Texas

Report on Compliance for Each Major Federal Program

We have audited Deer Park Independent School District’s (the “District”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2014. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 17, 2014

DEER PARK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year ended June 30, 2014

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that is not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	No

Identification of major programs

Name of Federal Program or Cluster CFDA Numbers

US Department of Education

<i>Special Education Cluster:</i>	
IDEA-B, Formula	84.027A
IDEA-B, Preschool	84.173A

Dollar Threshold Considered Between Type A and Type B Federal Programs \$300,000

Auditee qualified as low-risk auditee? Yes

DEER PARK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year ended June 30, 2014

II. Financial Statement Findings

Finding #2013-001

Criteria: Per Section 14.2 of the Texas Department of Agriculture’s Administrative Reference Manual and as also referenced in Section 1.3.2.4 of the Texas Education Agency’s Financial Accountability Resource Guide, the Child Nutrition fund (fund 240) fund balance cannot exceed three months of average expenditures.

Condition: At June 30, 2014, the District’s Child Nutrition fund balance exceeded three months average expenditures by \$181,181.

Effect: The District is not in compliance with the Texas Department of Agriculture’s fund balance requirement.

Cause: Although the District has a plan in place and was in the process of expending funds for improvements to the child nutrition program, current year expenditures did not reduce fund balance below the three months average requirement.

Recommendation: The District should evaluate its future spending to ensure its Child Nutrition fund balance is in compliance with the Texas Department of Agriculture’s fund balance requirement.

III. Federal Awards Findings And Questioned Costs

None reported

IV. Status Of Prior Year Findings

Finding #

Corrective Action Taken

Finding 2013-001

Excess fund balance in Child Nutrition Fund

Partially Resolved. See current year finding #2013-001.

V. Corrective Action Plan

Finding 2013-001:

Excess fund balance in Child Nutrition Fund

Contact Person: Pete Pape, CFO

Response: A required reduction plan was approved by the Texas Department of Agriculture and the excess fund balance was expended subsequent to year end. The District understands the rules and is continuously working to adhere to them.

Estimated Completion Date: June 30, 2015

DEER PARK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Education				
Passed Through Texas Education Agency:				
13610101101908	<i>ESEA, Title I, Part A</i>	211	84.010A	\$ 154,898
14610101101908	<i>ESEA, Title I, Part A</i>	211	84.010A	1,078,468
136600011019086600	<i>IDEA-B Formula *</i>	224	84.027A	13,998
146600011019086000	<i>IDEA-B Formula *</i>	224	84.027A	1,817,302
146610011019086610	<i>IDEA-B Preschool *</i>	225	84.173A	29,428
14420006101908	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	88,093
13694501101908	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	12,274
14694501101908	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	270,811
13671001101908	<i>ESEA Title III , Part A, LEP</i>	263	84.365A	73,957
14671001101908	<i>ESEA Title III , Part A, LEP</i>	263	84.365A	93,555
69551302	<i>Summer School LEP</i>	199	84.369A	6,678
Total Passed Through Texas Education Agency				<u>3,639,462</u>
Passed Through Region 10 Education Service Center:				
00-033	<i>ESEA, Title X, Part C, Education for the Homeless Children and Youth</i>	206	84.196	50,304
Total Passed Through Region 10 Education Service Center				<u>50,304</u>
Total U.S. Department of Education				<u>3,689,766</u>
U.S. Department of Agriculture				
Passed Through Texas Department of Agriculture:				
Non Cash Assistance (Commodities):				
101908	<i>National School Lunch Program**</i>	240	10.555	335,736
Passed Through Texas Department of Education:				
Cash Assistance:				
71301401	<i>National School Lunch Program**</i>	240	10.555	2,333,191
71401401	<i>School Breakfast Program**</i>	240	10.553	900,602
Total Department of Agriculture				<u>3,569,529</u>
Total Expenditures of Federal Awards				<u>\$ 7,259,295</u>

*Special Education Cluster

**Child Nutrition Cluster

Note 1 -Basis of Accounting

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. 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 liability is incurred, if measurable, except for 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. Generally, unused balances are returned to the grantor at the close of specified project periods

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total shown on Schedule of Expenditures of Federal Awards	\$ 7,259,295
Federal Revenue Accounted for in Governmental Funds	
Medicaid SHARS	756,382
Interest Rate Subsidy on Build America Bonds	577,249
	<u>1,333,631</u>
Total Federal Revenue - Exhibit C-3	<u><u>\$ 8,592,926</u></u>

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are summarized as follows:

Medicaid SHARS	\$	756,382
Summer School LEP		6,678
	\$	<u>763,060</u>

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DO NOT BIND IN REPORT

DEER PARK INDEPENDENT SCHOOL DISTRICT
Required Responses to Selected School First Indicators
June 30, 2014

Exhibit L-1

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? – Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ -