

**DEER PARK INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**For the Year Ended June 30, 2015**



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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, 2015, at a meeting of the Board of Trustees of such school district on November 16, 2015.



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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 and Note 19 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (“GASB”) Statements No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of June 30, 2015. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 6-14, budgetary comparison information on pages 58-59 and pension schedules on pages 60-62, 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

To the Board of Trustees  
Deer Park Independent School District

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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, 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 16, 2015

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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, 2015.

#### **Financial Highlights**

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$141,956,058 (net position). Of this amount, \$73,693,560 (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 \$3,406,450, excluding a prior period adjustment in the amount of (\$15,443,167).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$100,346,490, a decrease of \$13,674,873 in comparison with the prior year. This decrease excludes a prior period adjustment in the amount of \$369,463. The overall decrease in governmental fund balances was primarily due to a decrease in the capital projects fund balance of \$10,212,987.
- During the current fiscal year, unassigned fund balance for the general fund is 35 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$16,995,000 (7 percent) during the current fiscal year.
- The implementation of GASB 68, *Accounting and Financial Reporting for Pensions* increased the District's non-current liabilities by \$13,774,044, which represents the District's portion of the Teacher's Retirement System ("TRS") net pension liability.

#### **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, liabilities, and deferred inflows, with the difference 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, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Repair and Maintenance, Payments to Juvenile Justice Alternative Education Programs, and Other Governmental Charges.

**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 and deferred inflows by \$141,956,058 at the close of the most recent fiscal year.

A large portion of the District's net position (\$63,994,432) 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, 2015, the District's net position included the following:

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 122,846,974	\$ 133,135,979
Capital and non current assets	312,386,320	312,457,440
<b>Total Assets</b>	<b>435,233,294</b>	<b>445,593,419</b>
Deferred out flows of resources	7,733,075	3,507,273
<b>Total Deferred Outflows of Resources</b>	<b>7,733,075</b>	<b>3,507,273</b>
Current liabilities	18,122,691	15,479,010
Long term liabilities	278,674,098	279,628,907
<b>Total Liabilities</b>	<b>296,796,789</b>	<b>295,107,917</b>
Deferred inflows of resources	4,213,522	
<b>Total Deferred Inflows of Resources</b>	<b>4,213,522</b>	
<b>Net Position:</b>		
Net investment in capital assets	63,994,432	58,481,368
Restricted	4,268,066	6,557,254
Unrestricted	73,693,560	88,954,153
<b>Total Net Position</b>	<b>\$ 141,956,058</b>	<b>\$ 153,992,775</b>

Net position is restricted for various purposes as follows:

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Federal and state programs	\$ 27,747	\$ 6,783
Food service	501,708	2,178,032
Debt service	3,738,611	4,372,439
	<b>\$ 4,268,066</b>	<b>\$ 6,557,254</b>

The balance of unrestricted net position (\$73,693,560) 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 \$3,406,450 during the current fiscal year, excluding a prior period adjustment in the amount of (\$15,443,167) .

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

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Program Revenues</b>		
Charges for services	\$ 68,382,879	\$ 71,769,564
Operating grants	13,473,493	14,894,806
<b>General Revenues</b>		
Property taxes	119,072,550	113,984,409
State Aid - Formula Grants	15,572,275	18,519,884
Interest earnings	263,782	256,123
Other	1,864,667	899,125
<b>Total Revenues</b>	<u>218,629,646</u>	<u>220,323,911</u>
<b>Expenses</b>		
Instruction	73,422,040	71,926,743
Instructional resources and media services	1,728,384	1,697,775
Curriculum and staff development	2,371,108	2,306,851
Instructional leadership	956,273	835,461
School leadership	6,445,701	6,171,798
Guidance, counseling, and evaluation services	5,543,300	5,260,988
Social work services	79,065	87,234
Health services	1,018,886	977,577
Student transportation	4,385,616	4,055,236
Food service	7,547,162	7,105,968
Extracurricular activities	2,531,567	2,317,450
General administration	5,681,555	5,390,925
Facilities maintenance and operations	12,974,699	12,508,240
Energy for Schools SSA (See note 14b)	64,393,990	67,619,558
Security and monitoring services	965,874	1,496,076
Data processing services	7,125,425	4,787,640
Community services	193,840	179,306
Interest on long-term debt	9,102,316	10,212,654
Debt issuance costs and fees	525,924	4,550
Facilities repairs and maintenance	1,487,444	63,757
Contracted instructional services between schools	2,481,934	2,076,527
Payments related to shared services arrangements	3,265,465	3,374,361
Other intergovernmental charges	995,628	936,500
<b>Total Expenses</b>	<u>215,223,196</u>	<u>211,393,175</u>
Increase (Decrease) in Net Position	3,406,450	8,930,736
<b>Beginning net position</b>	153,992,775	145,062,039
Prior period adjustment	(15,443,167)	
<b>Ending Net Position</b>	<u>\$ 141,956,058</u>	<u>\$ 153,992,775</u>

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

**Governmental Activities**

Governmental activities increased the District's net position by \$3,406,450. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 68 percent of total revenues. The remaining is generated from charges for services, investment earnings, and miscellaneous revenues.

	<b>Total Revenues</b>	<b>% of Total Revenues</b>
Property taxes	\$ 119,072,550	55%
State Aid - Formula Grants	15,572,275	7%
Operating grants and contributions	13,473,493	6%
Charges for services	68,382,879	31%
Other revenue	2,128,449	1%
<b>Total Revenues</b>	<b>\$ 218,629,646</b>	<b>100%</b>

The primary functional expenses of the District are instruction, facilities maintenance and operations, which represent 70 percent of total expenses. The remaining individual functional categories of expenses are each less than 4 percent of total expenses.

	<b>Total Expenses</b>	<b>% of Total Expenses</b>
Instruction	\$ 73,422,040	34%
Facilities maintenance and operations (See note 14B)	77,368,689	36%
Other expenses	64,432,467	30%
<b>Total Expenses</b>	<b>\$ 215,223,196</b>	<b>100%</b>

**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 \$100,346,490, a decrease of \$13,674,873 in comparison with the prior fiscal year, excluding a prior period adjustment in the amount of \$369,463. 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 \$38,384,161, while total fund balance reached \$80,629,913. 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 35

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

percent of total general fund expenditures, while total fund balance represents 73 percent of that same amount. The fund balance of the District's general fund decreased by \$371,819 during the current fiscal year. The general fund balance decreased primarily due to transferring \$8 million from the general fund to a capital projects fund to cover capital expenses until the next district's next bond.

The *debt service fund* has a total fund balance of \$6,946,033, 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 \$1,077,186 was in line with budgeted expectations.

The *capital projects fund* has a total fund balance of \$11,798,025, all of which is restricted for authorized construction and technology projects/enhancements. The decrease in fund balance during the current year of \$10,582,450 was due to ongoing renovations and construction of new facilities. This decrease excludes a prior period adjustment in the amount of \$369,463.

**General Fund Budgetary Highlights**

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

	<b>Budget</b>	
	<b>Original</b>	<b>Final Amended</b>
Total revenues	\$ 116,500,000	\$ 116,634,212
Total expenditures	116,450,000	118,665,801
<b>Net change in fund balance</b>	<b>\$ 50,000</b>	<b>\$ (2,031,589)</b>

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, 2015, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was \$312,386,320. The following table summarizes the investment in capital assets as of June 30, 2015 and 2014.

	<b>2015</b>	<b>2014</b>
Land	\$ 16,380,197	\$ 16,380,197
Buildings and improvements	354,191,689	349,451,867
Furniture and equipment	29,548,663	28,043,265
Construction in progress	30,015,045	23,772,019
<b>Total</b>	<b>430,135,594</b>	<b>417,647,348</b>
Accumulated depreciation	(117,749,274)	(105,189,908)
<b>Net capital assets</b>	<b>\$ 312,386,320</b>	<b>\$ 312,457,440</b>

**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 \$240,070,000 in bonded debt outstanding, a decrease of \$16,995,000 over the previous year. The District’s bonds are sold with an “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, 2015, are as follows:

<b>Outstanding 07/01/14</b>	<b>Issued</b>	<b>Retired</b>	<b>Outstanding 06/30/15</b>
<u>\$ 257,065,000</u>	<u>\$ 49,235,000</u>	<u>\$ (66,230,000)</u>	<u>\$ 240,070,000</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 2015/16 fiscal year are \$7,754,005,493 which is an increase from the 2014 certified values for the 2014/15 fiscal year of \$7,547,646,458. Single family home values have continued to increase, however, due to the passage of Prop 1 in the recent November state election the state mandated homestead exemption has increased from \$15,000 to \$25,000 and as such the average taxable value has decreased from \$83,038 in the 2014/15 fiscal year to \$81,708 in the 2015/16 fiscal year. District’s will be ‘held-harmless’ by the state for the loss in revenue due to the increase in the state mandated homestead exemption for both the General Fund and the Debt Service funds.
- The tax rate for 2014/15 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 2015/16 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 \$8,562 for 2014/15. The budgeted expenditures per student in the District’s General Fund are \$8,979 for the 2015/16 fiscal year.
- In the 84<sup>th</sup> Legislature the Texas legislature increased funding for public education by \$1.2 billion. The legislature also increased funding in 2013 by \$3.6 billion after they reduced public education funding by \$5.4 billion in 2011. The budgeted revenues for the district increased by \$678,386 for the 2015-16 fiscal year. The District court ruled in favor of Texas school districts and was appealed to the Texas Supreme Court by the State and the Texas Supreme court heard oral arguments on September 1, 2015. A ruling from the Texas Supreme Court is expected in the spring of 2016. The District has entered into Chapter 313 agreements with Ineos USA LLC, Equistar Chemicals LLC and Lubrizol Corporation. These agreements limit the taxable value of these projects at \$80 million for maintenance and operations tax

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

purposes, these projects are fully taxable for I&S purposes, and the companies pay a portion of the tax savings to the district. These payments are not subject to 'recapture'.

These indicators were taken into account when adopting the general fund budget for the 2015/16 school year. The total Deer Park ISD adopted budget for 2015/16 is \$148,606,098, which represents the General Fund, Debt Service Fund, and the Child Nutrition Fund.

**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](mailto:ppape@dpisd.org).

## **BASIC FINANCIAL STATEMENTS**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

*Exhibit A-1*

<u>Data Control Codes</u>	<u>Governmental Activities</u>
<b>Assets</b>	
1110 Cash and cash equivalents	\$ 112,825,692
1120 Current investments	5,488
1225 Property taxes receivables, net	3,947,062
1240 Due from other governments	3,925,189
1267 Due from fiduciary funds	4,783
1290 Other receivables, net	12,025
1300 Inventories	395,787
1410 Prepaid items	1,730,948
<b>Capital assets not subject to depreciation:</b>	
1510 Land	16,380,197
1580 Construction in progress	30,015,045
<b>Capital assets net of depreciation:</b>	
1520 Buildings and improvements, net	255,018,002
1530 Furniture and equipment, net	10,973,076
<b>1000 Total Assets</b>	<u>435,233,294</u>
<b>Deferred Outflows of Resources</b>	
1700 Deferred charge on refunding	4,896,604
1705 Deferred outflows - pension	2,836,471
<b>Total Deferred Outflows of Resources</b>	<u>7,733,075</u>
<b>Liabilities</b>	
2110 Accounts payable	2,694,732
2140 Interest payable	3,836,181
2150 Payroll deductions and withholdings	19,295
2160 Accrued wages payable	11,187,883
2180 Due to other governments	39,005
2200 Accrued expenses	283,346
2300 Unearned revenue	62,249
<b>Noncurrent Liabilities:</b>	
2501 Due within one year	15,414,848
2502 Due in more than one year	249,485,206
2550 Net pension liability	13,774,044
<b>2000 Total Liabilities</b>	<u>296,796,789</u>
<b>Deferred Inflows of Resources</b>	
2600 Deferred inflows - pension	4,213,522
<b>Deferred Inflows of Resources</b>	<u>4,213,522</u>
<b>Net Position</b>	
3200 Net investment in capital assets	63,994,432
<b>Restricted for:</b>	
3820 Federal and state programs	27,747
3840 Food service	501,708
3850 Debt service	3,738,611
3900 Unrestricted	73,693,560
<b>3000 Total Net Position</b>	<u>\$ 141,956,058</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2015

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Primary Government
TG	Total governmental activities				Governmental Activities
	Governmental activities:				
11	Instruction	\$ 73,422,040	\$ 644,824	\$ 6,567,042	\$ (66,210,174)
12	Instructional resources and media services	1,728,384	97,124	61,801	(1,569,459)
13	Curriculum and staff development	2,371,108	52,915	595,060	(1,723,133)
21	Instructional leadership	956,273		52,788	(903,485)
23	School leadership	6,445,701	56,230	388,421	(6,001,050)
31	Guidance, counseling, and evaluation services	5,543,300		487,596	(5,055,704)
32	Social work services	79,065			(79,065)
33	Health services	1,018,886		1,050,534	31,648
34	Student transportation	4,385,616		158,362	(4,227,254)
35	Food service	7,547,162	2,814,040	3,075,427	(1,657,695)
36	Extracurricular activities	2,531,567	159,344	105,575	(2,266,648)
41	General administration	5,681,555		158,362	(5,523,193)
51	Facilities maintenance and operations	77,368,689	64,558,402	473,105	(12,337,182)
52	Security and monitoring services	965,874			(965,874)
53	Data processing services	7,125,425		198,986	(6,926,439)
61	Community services	193,840		100,434	(93,406)
72	Interest on long-term debt	9,102,316			(9,102,316)
73	Debt issuance costs and fees	525,924			(525,924)
81	Facilities repairs and maintenance	1,487,444			(1,487,444)
91	Contracted instructional services between schools	2,481,934			(2,481,934)
93	Payments related to shared services arrangements	3,265,465			(3,265,465)
99	Other intergovernmental charges	995,628			(995,628)
<b>TG</b>	<b>Total governmental activities</b>	<b>\$ 215,223,196</b>	<b>\$ 68,382,879</b>	<b>\$ 13,473,493</b>	<b>(133,366,824)</b>

Data Control Codes		
	<b>General revenues:</b>	
	<b>Taxes:</b>	
MT	Property taxes, levied for general purposes	94,589,257
DT	Property taxes, levied for debt service	24,483,293
SF	State-aid formula grants	15,572,275
IE	Investment earnings	263,782
MI	Miscellaneous	1,864,667
TR	Total general revenues	136,773,274
CN	Change in net position	3,406,450
NB	Net position - beginning	153,992,775
PA	Prior period adjustments	(15,443,167)
NE	Net position - ending	\$ 141,956,058

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2015

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Assets</b>			
1110 Cash and temporary investments	\$ 60,910,143	\$ 4,533,818	\$ 6,708,363
1120 Investments	23,069,576		8,003,980
<b>Receivables:</b>			
1220 Property taxes - delinquent	4,336,617	958,841	
1230 Allowance for uncollectible taxes (credit)	(1,149,986)	(198,410)	
1240 Receivables from other governments	2,720,465		
1260 Due from other funds	8,739,945	2,280,543	1,073,000
1290 Other receivables	10,132		
1300 Inventories, at cost	325,433		
1410 Prepaid items	1,716,002		
<b>1000 Total Assets</b>	<b><u>\$ 100,678,327</u></b>	<b><u>\$ 7,574,792</u></b>	<b><u>\$ 15,785,343</u></b>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>			
<b>Liabilities</b>			
2110 Accounts payable	\$ 696,199	\$	\$ 1,834,411
2140 Interest payable		51,963	
2150 Payroll deduction and withholdings payable	524		
2160 Accrued wages payable	10,293,334		
2170 Due to other funds	6,503,594		2,152,907
2180 Payable to other governments	38,975		
2300 Unearned revenues	59,229		
<b>2000 Total Liabilities</b>	<b><u>17,591,855</u></b>	<b><u>51,963</u></b>	<b><u>3,987,318</u></b>
<b>Deferred Inflows of Resources</b>			
2600 Unavailable revenues - property taxes	2,456,559	576,796	
<b>Deferred Inflows of Resources</b>	<b><u>2,456,559</u></b>	<b><u>576,796</u></b>	
<b>Fund Balance</b>			
<b>Non-Spendable</b>			
3410 Inventories	325,433		
3430 Prepaid items	1,716,002		
<b>Restricted</b>			
3450 Federal/State funds grant restrictions			
3470 Capital acquisitions and contractual obligations			11,798,025
3480 Retirement of funded indebtedness		6,946,033	
3490 Other restricted			
<b>Committed</b>			
3510 Construction	3,000,000		
3530 Capital expenditures for equipment	4,000,000		
3545 Other purposes	33,000,000		
<b>Assigned</b>			
3590 Other purposes	204,317		
3600 <b>Unassigned</b>	<b>38,384,161</b>		
<b>3000 Total fund balances</b>	<b><u>80,629,913</u></b>	<b><u>6,946,033</u></b>	<b><u>11,798,025</u></b>
<b>4000 Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b><u>\$ 100,678,327</u></b>	<b><u>\$ 7,574,792</u></b>	<b><u>\$ 15,785,343</u></b>

See Notes to the Financial Statements

*Exhibit C-1*

<u>SSA - Energy for Schools</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,912	\$ 1,315,026	\$ 73,474,262
		31,073,556
		5,295,458
		(1,348,396)
	1,204,724	3,925,189
	13,550	12,107,038
		10,132
	70,354	395,787
	14,946	1,730,948
<u>\$ 6,912</u>	<u>\$ 2,618,600</u>	<u>\$ 126,663,974</u>
\$	\$ 162,424	\$ 2,693,034
		51,963
		524
	859,042	11,152,376
	628,477	9,284,978
	30	39,005
	3,020	62,249
<u></u>	<u>1,652,993</u>	<u>23,284,129</u>
<u></u>	<u></u>	<u>3,033,355</u>
<u></u>	<u></u>	<u>3,033,355</u>
	70,354	395,787
	7,110	1,723,112
	459,101	459,101
		11,798,025
		6,946,033
6,912		6,912
		3,000,000
		4,000,000
	429,042	33,429,042
		204,317
<u></u>	<u></u>	<u>38,384,161</u>
<u>6,912</u>	<u>965,607</u>	<u>100,346,490</u>
<u>\$ 6,912</u>	<u>\$ 2,618,600</u>	<u>\$ 126,663,974</u>

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**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET POSITION**  
*June 30, 2015*

*Exhibit C-2*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	<b>\$ 100,346,490</b>
	Amounts reported for governmental activities in the statement of net position are different because:	
<b>1</b>	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	312,386,320
<b>2</b>	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).	3,033,355
<b>3</b>	Deferred loss on refunding	4,896,604
<b>4</b>	Deferred outflows related to TRS pension	2,836,471
	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:	
<b>5</b>	General obligation bonds	(240,070,000)
<b>6</b>	Premiums on issuance	(24,706,763)
<b>7</b>	Accrued compensated absences	(123,291)
<b>8</b>	Accrued interest payable	(3,784,218)
<b>9</b>	Net pension liability	(13,774,044)
<b>10</b>	Deferred inflow for pension investment earnings and proportionate share	(4,213,522)
<b>11</b>	Addition of Internal Service fund net position	5,128,656
<b>19</b>	<b>Total net position-governmental activities</b>	<u><u>\$ 141,956,058</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, 2015**

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ 95,875,153	\$ 24,579,592	\$ 163,812
5800	State program revenues	21,429,984		
5900	Federal program revenues	1,055,125	582,832	
<b>5020</b>	<b>Total revenues</b>	<u>118,360,262</u>	<u>25,162,424</u>	<u>163,812</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	62,096,616		314,366
0012	Instruction resources and media services	1,139,071		148,977
0013	Curriculum and instructional staff development	1,871,883		
0021	Instructional leadership	953,408		
0023	School leadership	6,433,133		
0031	Guidance, counseling and evaluation services	5,337,722		
0032	Social work services	83,695		
0033	Health services	999,932		
0034	Student transportation	4,296,301		2,363
0035	Food services			1,344,065
0036	Extracurricular activities	2,244,730		390,481
0041	General administration	3,267,616		370,018
0051	Facilities maintenance and operations	12,054,063		2,805,907
0052	Security and monitoring services	898,194		89,115
0053	Data processing services	2,218,054		4,993,303
0061	Community services	103,503		
<b>Debt service:</b>				
0071	Principal on long-term debt		14,325,000	
0072	Interest on long-term debt		11,337,007	
0073	Bond issuance costs and fees		525,924	
<b>Capital outlay:</b>				
0081	Facilities acquisition and construction			8,287,667
<b>Intergovernmental:</b>				
0091	Contracted instructional services	2,481,934		
0093	Payments related to shared services arrangements	3,265,465		
0099	Other intergovernmental charges	995,628		
<b>6030</b>	<b>Total Expenditures</b>	<u>110,740,948</u>	<u>26,187,931</u>	<u>18,746,262</u>
1100	Excess (deficiency) of revenues over expenditures	<u>7,619,314</u>	<u>(1,025,507)</u>	<u>(18,582,450)</u>
<b>Other Financing Sources (Uses)</b>				
7901	Refunding bonds issued		49,235,000	
7912	Sale of real or personal property	13,538		
7915	Transfers in			8,000,000
7916	Premium or discount on issuance of bonds		6,348,353	
8911	Transfers out	(8,004,671)		
8949	Payment to Bond Refunding Escrow Agent		(55,635,032)	
<b>7080</b>	<b>Total other financing sources and uses</b>	<u>(7,991,133)</u>	<u>(51,679)</u>	<u>8,000,000</u>
1200	Net change in fund balances	(371,819)	(1,077,186)	(10,582,450)
<b>0100</b>	<b>Fund Balance - July 1 (Beginning)</b>	81,001,732	8,023,219	22,011,012
1300	Prior period adjustment			369,463
<b>3000</b>	<b>Fund Balance - June 30 (Ending)</b>	<u>\$ 80,629,913</u>	<u>\$ 6,946,033</u>	<u>\$ 11,798,025</u>

See Notes to the Financial Statements

*Exhibit C-3*

<u>SSA - Energy for Schools</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 64,393,990	\$ 3,760,050	\$ 188,772,597
	669,611	22,099,595
	<u>7,226,444</u>	<u>8,864,401</u>
<u>64,393,990</u>	<u>11,656,105</u>	<u>219,736,593</u>
	4,604,253	67,015,235
	121,917	1,409,965
	502,901	2,374,784
		953,408
	32,701	6,465,834
	223,659	5,561,381
		83,695
		999,932
		4,298,664
	7,427,234	8,771,299
		2,635,211
		3,637,634
64,393,990	250,180	79,504,140
		987,309
	40,915	7,252,272
	100,434	203,937
		14,325,000
		11,337,007
		525,924
		8,287,667
		2,481,934
		3,265,465
		995,628
<u>64,393,990</u>	<u>13,304,194</u>	<u>233,373,325</u>
	<u>(1,648,089)</u>	<u>(13,636,732)</u>
		49,235,000
		13,538
	4,671	8,004,671
		6,348,353
		(8,004,671)
		<u>(55,635,032)</u>
	<u>4,671</u>	<u>(38,141)</u>
	(1,643,418)	(13,674,873)
6,912	2,609,025	113,651,900
		369,463
<u>\$ 6,912</u>	<u>\$ 965,607</u>	<u>\$ 100,346,490</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, 2015*

<b>Data Control Codes</b>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (13,674,873)
	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	12,645,420
2	Governmental activities depreciation expense	(12,685,104)
	Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	(31,436)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(373,512)
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.	14,325,000
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
5	Proceeds from issuance of refunding bonds	(49,235,000)
6	Premium issued on refunding bonds	(6,348,353)
7	Payments to refunding agent	55,635,032
8	Pension contributions made after the pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	1,934,701
	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:	
9	Decrease in interest payable not recognized in fund statements	504,445
10	Decrease in long-term portion of accrued compensated absences	11,259
11	Amortization of bond premium	2,082,313
12	Amortization of deferred loss on refunded bonds	(352,067)
13	Pension expense for the pension plan measurement year	(1,273,166)
14	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).	241,791
	<b>Change in net position of governmental activities (see B-1)</b>	<b>\$ 3,406,450</b>

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT***Exhibit D-1***STATEMENT OF NET POSITION****PROPRIETARY FUNDS***June 30, 2015*

<b>Data Control Codes</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>Assets</b>	
<b>Current Assets:</b>	
1110-75 Cash and cash equivalents	\$ 8,283,362
<b>Receivables:</b>	
1260 Due from other funds	26,753
1290 Other receivables	1,893
<b>Total current assets</b>	<u>8,312,008</u>
<b>1000 Total Assets</b>	<u>8,312,008</u>
 <b>Liabilities</b>	
<b>Current Liabilities:</b>	
2110 Accounts payable	1,698
2150 Payroll deduction and withholdings payable	18,771
2160 Accrued wages payable	35,507
2170 Due to other funds	2,844,030
2200 Accrued expenses	283,346
<b>Total current liabilities</b>	<u>3,183,352</u>
<b>2000 Total Liabilities</b>	<u>3,183,352</u>
 <b>Net Position</b>	
3900 Unrestricted net position	5,128,656
<b>3000 Total Net Position</b>	<u>\$ 5,128,656</u>

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
*For the Year Ended June 30, 2015*

*Exhibit D-2*

<u>Data Control Codes</u>	<u>Governmental Activities- Internal Service Funds</u>
<b>Operating Revenues</b>	
5700 Charges for Services	\$ 1,204,553
<b>5020 Total Operating Revenues</b>	<u>1,204,553</u>
<b>Operating Expenses</b>	
6100 Payroll costs	467,800
6200 Purchased and contracted services	71,029
6300 Supplies and materials	13,115
6400 Claims expense and other operating expenses	<u>421,956</u>
<b>6030 Total Operating Expenses</b>	<u>973,900</u>
1200 Operating Income (Loss)	<u>230,653</u>
<b>Non-Operating Revenues (Expenses)</b>	
7020 Investment earnings	<u>11,138</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>11,138</u>
1200 Change in Net Position	241,791
<b>0100 Net Position - July 1 (Beginning)</b>	<u>4,886,865</u>
<b>3300 Net Position - June 30 (Ending)</b>	<u>\$ 5,128,656</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, 2015*

<b>Data Control Codes</b>		<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 100,109	\$ 677,554
	Receivables:		
1290	Other receivables	5,166	
1410	Prepaid items		300
<b>1000</b>	<b>Total Assets</b>	<u>105,275</u>	<u>\$ 677,854</u>
	<b>Liabilities</b>		
2110	Accounts payable	40	\$ 32,915
2170	Due to primary government		4,783
2190	Due to others		625,365
2200	Other accrued expenses		14,791
<b>2000</b>	<b>Total Liabilities</b>	<u>\$ 40</u>	<u>\$ 677,854</u>
	<b>Net Position</b>		
3800	Restricted	<u>\$ 105,236</u>	

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT***Exhibit E-2***STATEMENT OF CHANGES IN FIDUCIARY NET POSITION***For the Year Ended June 30, 2015*

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Gifts and contributions	\$ 27,697
<b>Total additions</b>	<u>27,697</u>
<b>Deductions</b>	
Non-operating expenses	<u>21,213</u>
<b>Total deductions</b>	<u>21,213</u>
Change in net position	6,484
<b>Net position beginning of year</b>	<u>98,752</u>
<b>Net position end of year</b>	<u><u>\$ 105,236</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. Implementation of new Standards**

In the current year, the District implemented the following new accounting standards:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"), amends the transition provisions of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

**E. 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, 2015. 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**F. 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 2015 (tax year 2014) was \$7,632,051,262. 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 2015 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 2015 was \$118,808,142. 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.

**G. 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.

**H. 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**H. Capital Assets (continued)**

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

**I. 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.

**J. 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**K. Deferred Outflows/Inflows of Resources**

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

*A deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

**Deferred outflows of resources for refunding** – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the 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 outflows reported in the governmental activities for a deferred charge on refunding at June 30, 2015 was \$4,896,604.

**Deferred outflows of resources for pension** – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6.94 years. A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2015 was \$2,836,471.

*A deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

**Deferred inflows of resources for unavailable revenues** – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources on the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2015 was \$3,033,355.

**Deferred inflows of resources for pension** - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. The amounts will be amortized over a closed five year period. In fiscal year 2015, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$4,213,522.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**L. Pensions**

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

**M. 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 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.

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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**N. 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, 2015, 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.

**O. 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.

**P. 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, 2015, 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, 2015, 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)**

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

	<b>Fair Market Value</b>	<b>Weighted Average Maturity (Days)</b>
<b>Governmental Activities</b>		
Cash and deposits	\$ 14,423,181	N/A
<i>Investments</i>		
Certificates of deposit	23,069,576	30
Local Government Investment Pools		
MBIA Texas CLASS	275,499	52
Logic	103,964	50
TexPool	117,073	37
	<u>496,536</u>	
Mutual Funds		
Lone Star	74,836,399	44
<b>Total Investments</b>	<u>98,402,511</u>	30
<b>Total Governmental Activities</b>	<u>112,825,692</u>	
<b>Fiduciary Funds</b>		
Cash and Deposits	399,424	N/A
Mutual Funds - Lone Star	378,239	44
<b>Total Fiduciary Funds</b>	<u>777,663</u>	
<b>Total</b>	<u>\$ 113,603,355</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, 2015, 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	\$ 23,069,576	\$ 23,069,576	\$
Local Government Investment Pools:			
MBIA Texas CLASS	275,499	275,499	
Logic	103,964	103,964	
TexPool	117,073	117,073	
Mutual Funds - Lone Star	75,214,638	75,214,638	
	<u>\$ 98,780,750</u>	<u>\$ 98,780,750</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, 2015, 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 and certificates of deposit represent 66% and 20%, 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, 2015, was \$263,893.

**Note 3 - Receivables**

Receivables as of June 30, 2015, 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 Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Property Taxes	\$ 4,336,617	\$ 958,841	\$	\$	\$	\$ 5,295,458
Due from other governments	2,720,465		1,204,724			3,925,189
Other	10,132			1,893	5,166	17,191
Gross Receivables	7,067,214	958,841	1,204,724	1,893	5,166	9,237,838
Less allowance for doubtful accounts	(1,149,986)	(198,410)				(1,348,396)
<b>Net Total Receivables</b>	<u>\$ 5,917,228</u>	<u>\$ 760,431</u>	<u>\$ 1,204,724</u>	<u>\$ 1,893</u>	<u>\$ 5,166</u>	<u>\$ 7,889,442</u>

Governmental funds report unearned revenue 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 \$62,249.

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	<b>Balance</b> <b>July 01, 2014</b>	<b>Additions</b>	<b>(Retirements)</b> <b>and Transfers</b>	<b>Balance</b> <b>June 30, 2015</b>
Capital assets, not being depreciated				
Land	\$ 16,380,197	\$	\$	\$ 16,380,197
Construction in progress	23,772,019	6,243,026		30,015,045
<b>Total Capital assets, not being depreciated</b>	<b>40,152,216</b>	<b>6,243,026</b>		<b>46,395,242</b>
Capital assets, being depreciated				
Buildings and improvements	349,451,867	4,739,822		354,191,689
Furniture and equipment	28,043,265	1,662,572	(157,174)	29,548,663
<b>Total Capital assets, being depreciated</b>	<b>377,495,132</b>	<b>6,402,394</b>	<b>(157,174)</b>	<b>383,740,352</b>
Less accumulated depreciation for:				
Buildings and improvements	(88,579,252)	(10,594,435)		(99,173,687)
Furniture and Equipment	(16,610,656)	(2,090,669)	125,738	(18,575,587)
<b>Total Accumulated depreciation</b>	<b>(105,189,908)</b>	<b>(12,685,104)</b>	<b>125,738</b>	<b>(117,749,274)</b>
<b>Governmental Capital Assets</b>	<b>\$ 312,457,440</b>	<b>\$ (39,684)</b>	<b>\$ (31,436)</b>	<b>\$ 312,386,320</b>

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

<b>Function</b>	<b>Depreciation</b> <b>Expense</b>
Instruction	\$ 7,936,805
Instructional resources and media services	330,041
Guidance, counseling and evaluation services	34,493
Health services	26,418
Student transportation	804,151
Food Services	738,088
Extracurricular activities	53,868
General administration	2,036,065
Plant maintenance and operations	658,452
Security and monitoring services	59,541
Data processing services	7,182
	<u>\$ 12,685,104</u>

The District has active construction projects as of June 30, 2015. At June 30, 2015, the District's commitments with contractors are as follows:

<b>Project</b>	<b>Approved</b> <b>Construction</b> <b>Budget</b>	<b>Construction</b> <b>in Progress</b>	<b>Remaining</b> <b>Commitment</b>
North Campus and Wolters Renovations	\$ 34,214,459	\$ 30,015,045	\$ 4,199,414

**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, 2015, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
<b>Governmental Activities:</b>			
General Fund	\$ 8,739,945	\$ 6,503,594	\$ 2,236,351
Debt Service	2,280,543		2,280,543
Capital Projects	1,073,000	2,152,907	(1,079,907)
Nonmajor Governmental Funds	13,550	628,477	(614,927)
Proprietary Funds	26,753	2,844,030	(2,817,277)
<b>Total Governmental Activities</b>	<u>12,133,791</u>	<u>12,129,008</u>	<u>4,783</u>
Fiduciary Funds		4,783	(4,783)
<b>Total</b>	<u>\$ 12,133,791</u>	<u>\$ 12,133,791</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, 2015:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 8,000,000
General Fund	Nonmajor Governmental Fund	4,671
		<u>\$ 8,004,671</u>

Interfund transfers were made from the general fund to the capital projects fund for capital outlay. Additionally, an interfund transfer from the general fund to a nonmajor governmental fund was necessary to eliminate a deficit fund balance in a special revenue fund.

**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, 2014</u>	<u>Additions</u>	<u>Deductions - Payments to Participants</u>	<u>Balance June 30, 2015</u>
Compensated absences payable	\$ 134,550	\$	\$ (11,259)	\$ 123,291

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*  
*(continued)*

**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, 2015, the legal debt margin amounted to \$505,374,396.

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2015</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 257,065,000	\$ 49,235,000	\$ (66,230,000)	\$ 240,070,000	\$ 15,370,000
Premiums/discounts	22,429,357	6,348,353	(4,070,947)	24,706,763	
Compensated absences payable	134,550		(11,259)	123,291	44,848
	<u>\$ 279,628,907</u>	<u>\$ 55,583,353</u>	<u>\$ (70,312,206)</u>	<u>\$ 264,900,054</u>	<u>\$ 15,414,848</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:

<b>Issue</b>	<b>Original issuance amount</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
Limited Tax School Building Bonds, Series 2007	35,200,000	3.25% to 5.25%	2027	\$ 13,735,000
Limited Tax School Building Bonds, Series 2008	54,595,000	3.00% to 4.65%	2028	6,005,000
Limited Tax Refunding Bonds, Series 2009	13,800,000	2.00% to 4.00%	2020	12,150,000
Limited Tax School Building Bonds, Series 2010A	6,310,000	2.00% to 5.00%	2020	4,910,000
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	54,910,000
Limited Tax School Building and Refunding Bonds, Series 2013	35,600,000	2.00 to 5.00%	2030	50,580,000
Limited Tax School Building and Refunding Bonds, Series 2013	56,465,000	2.00 to 5.00%	2030	12,945,000
Limited Tax Refunding Bonds, Series 2014	12,180,000	2.00 to 5.00%	2030	12,180,000
Limited Tax Refunding Bonds, Series 2015	37,055,000	2.00 to 5.00%	2029	37,055,000
				<u>\$ 240,070,000</u>

**Note 7 - Long-term Liabilities (continued)**

Debt service requirements to maturity are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2016	\$ 15,370,000	\$ 10,336,721	\$ 25,706,721
2017	14,795,000	9,916,890	24,711,890
2018	15,175,000	9,283,676	24,458,676
2019	15,775,000	8,712,751	24,487,751
2020	16,390,000	8,101,101	24,491,101
2021 - 2025	84,860,000	30,160,343	115,020,343
2026 - 2030	77,705,000	11,552,991	89,257,991
	<u>\$ 240,070,000</u>	<u>\$ 88,064,473</u>	<u>\$ 328,134,473</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, 2015, the District received \$582,832 in such subsidies.

**Advance Refunding of Debt**

On November 1, 2014, the District issued Limited Tax Refunding Bonds, Series 2014 in the amount of \$12,180,000. The amount of the refunded bonds totaled \$13,460,000. The refunding resulted in an economic gain of \$1,462,242. As a result, the refunded bonds have been removed from the governmental activities column of the statement of net position. Interest rates on the bonds range from 2 to 5 percent. Premiums on the bonds totaled \$342,079. The deferred loss on the refunding of \$113,979 will be amortized over the life of the new or the refunded bonds, whichever is less.

On April 1, 2015, the District issued Limited Tax Refunding Bonds, Series 2015 in the amount of \$37,055,000. The amount of the refunded bonds totaled \$38,445,000. The refunding resulted in an economic gain of \$3,055,938. As a result, the refunded bonds have been removed from the governmental activities column of the statement of net position. Interest rates on the bonds range from 2 to 5 percent. Premiums on the bonds totaled \$1,646,555. The deferred loss on the refunding of \$1,627,419 will be amortized over the life of the new or the refunded bonds, whichever is less.

**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, 2015, \$78,100,000 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:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>SSA - Energy for Schools</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 94,546,700	\$ 24,455,525	\$	\$	\$	\$ 119,002,225
Penalties, interest and other tax related revenue	354,982	88,855				443,837
Investment Income	168,547	35,212	39,079		9,806	252,644
Co-curricular student activities	133,606				511,179	644,785
Tuition and fees	90,409					90,409
SSA - Member Districts				64,393,990	159,708	64,553,698
Food Sales					2,814,040	2,814,040
Other	580,909		124,733		265,317	970,959
	<u>\$ 95,875,153</u>	<u>\$ 24,579,592</u>	<u>\$ 163,812</u>	<u>\$64,393,990</u>	<u>\$ 3,760,050</u>	<u>\$ 188,772,597</u>

**Note 9 - General Fund Federal Source Revenues**

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
Summer School LEP	84.369A	\$ 5,533
School Health and Related Service (SHARS)	N/A	997,746
E-Rate Reimbursements	N/A	51,846
		<u>\$ 1,055,125</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, 2015. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2015, amounted to \$262,809.

**Note 11 - Defined Benefit Pension Plans**

**Plan Description**

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

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

**Note 11 - Defined Benefit Pension Plans (continued)**

**Pension Plan Fiduciary Net Position**

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

**Benefits Provided**

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

**Contributions**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Member	6.40%	6.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2014 Employer Contributions		\$1,307,346
2014 Member Contributions		\$1,215,769
2014 NECE On-behalf Contributions		\$4,019,818

**Note 11 - Defined Benefit Pension Plans (continued)**

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions**

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

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

*\*Includes Inflation of 3%*

**Note 11 - Defined Benefit Pension Plans (continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Geometric Basis</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

**Note 11 - Defined Benefit Pension Plans (continued)**

**Discount Rate Sensitivity Analysis**

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

	Discount Rate		
	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportional share of the net pension liability	\$ 24,613,383	\$ 13,774,044	\$ 5,668,238

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

At August 31, 2014, the District reported a liability of \$13,774,044 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportional share of the net pension liability	\$ 13,774,044
State's proportionate share of the net pension liability associated with the District	42,442,667
	<u>\$ 56,216,711</u>

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

At August 31, 2014, the employer's proportion of the collective net pension liability was 0.052% . The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$1,273,166 and revenue of \$4,019,818 for support provided by the State.

**Note 11 - Defined Benefit Pension Plans (continued)**

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 213,020	\$
Changes of assumptions	895,328	
Net difference between projected and actual earnings on pension plan investments		4,209,911
Changes in proportion and differences between District contributions and proportionate share of contributions		3,611
District contributions subsequent to the measurement date	1,728,123	
Total	<u>\$ 2,836,471</u>	<u>\$ 4,213,522</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30</b>	
2016	\$ (866,514)
2017	(866,514)
2018	(866,514)
2019	(866,513)
2020	185,964
2021	174,917

**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](http://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.

**Note 12 - Retiree Health Plan (continued)**

**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 1% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2015, 2014, and 2013. 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 1%.

Contributions made by the State, District and staff members for the year ended June 30, 2015, and the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

<u>Fiscal Year</u>	<u>State TRS Care Contributions Made on Behalf Of the District</u>	<u>District Required Contributions To TRS Care</u>	<u>Staff Members' Contributions To TRS Care</u>	<u>District's Annual Covered Payroll</u>
2015	\$ 733,313	\$ 53,011	\$ 497,712	\$ 76,571,211
2014	678,011	458,708	504,150	77,561,287
2013	474,736	438,228	494,523	75,489,452

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, 2015, June 30, 2014 and June 30, 2013, the subsidy payments received by TRS-Care on behalf of the District were \$224,777, \$208,257, and \$286,584, 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:

<b>Fiscal Year</b>	<b>Beginning of Year Accrual</b>	<b>Current Year Estimates</b>	<b>Claims Payments</b>	<b>End of Year Accrual</b>
2015	\$	\$ 8,337	\$ 8,337	\$
2014		63,492	63,492	
2013	484,986	5,897,064	6,382,050	

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>
2015	\$ 263,633	\$ 406,184	\$ 386,471	\$ 283,346
2014	269,168	286,011	291,546	263,633
2013	289,566	254,107	274,505	269,168

**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)**

**A. Visually Impaired Shared Service Arrangement (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	\$	159,708
5800 State revenue distributed by TEA		<u>20,000</u>
	\$	<u>179,708</u>
Expenditures		
6100 Payroll costs	\$	179,108
6400 Miscellaneous operating costs		<u>600</u>
	\$	<u>179,708</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 97 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	\$	64,393,990
	\$	<u>64,393,990</u>
Expenditures		
6200 Professional and contracted services	\$	64,393,990
	\$	<u>64,393,990</u>

Of this total, \$3,456,965, or approximately 5.2 percent, 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, 2015.

**Note 17 - Contracted Instructional Services between Schools**

During the year ended June 30, 2015, the District did not purchase 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 - Prior Period Adjustment**

In fiscal year 2015, the District Implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Due to the implementation of these new standards, a prior period adjustment was necessary to record the beginning net pension liability of the District, as well as the related deferred outflows.

The following is a summary of the prior period adjustment to the net position of the governmental activities:

<b>Beginning Net Position - As Originally Stated</b>	\$ 153,992,775
Restatement due to:	
Net pension liability (measurement date as of August 31, 2013)	(16,913,398)
Deferred Outflows:	
District contributions made to TRS during fiscal year	<u>1,100,768</u>
<b>Beginning Net Position - As Restated</b>	<u><u>\$ 138,180,145</u></u>

In addition, the District restated the beginning fund balance of the capital projects fund as follows:

<b>Beginning Fund Balance - As Originally Stated</b>	\$ 22,011,012
Restatement due to:	
Effect of prior year overstatement of liabilities	<u>369,463</u>
<b>Beginning Fund Balance - As Restated</b>	<u><u>\$ 22,380,475</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit G-1*

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

*For the Year Ended June 30, 2015*

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
5700	Local revenues	\$ 95,314,306	\$ 95,448,518	\$ 95,875,153	\$ 426,635
5800	State program revenues	19,803,194	19,803,194	21,429,984	1,626,790
5900	Federal program revenues	1,382,500	1,382,500	1,055,125	(327,375)
<b>5020</b>	<b>Total revenues</b>	<u>116,500,000</u>	<u>116,634,212</u>	<u>118,360,262</u>	<u>1,726,050</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	65,583,952	65,658,097	62,096,616	3,561,481
0012	Instruction resources and media services	1,375,729	1,375,729	1,139,071	236,658
0013	Curriculum and instructional staff	1,957,762	2,014,014	1,871,883	142,131
0021	Instructional leadership	1,052,500	1,052,500	953,408	99,092
0023	School leadership	6,721,150	6,728,210	6,433,133	295,077
0031	Guidance, counseling and evaluation services	5,404,076	5,408,076	5,337,722	70,354
0032	Social work services	97,645	97,645	83,695	13,950
0033	Health services	1,083,935	1,083,935	999,932	84,003
0034	Student transportation	4,056,050	5,055,545	4,296,301	759,244
0036	Extracurricular activities	3,401,961	3,418,096	2,244,730	1,173,366
0041	General administration	3,470,431	3,550,863	3,267,616	283,247
0051	Facilities maintenance and operations	11,421,878	12,141,517	12,054,063	87,454
0052	Security and monitoring services	1,276,087	1,250,737	898,194	352,543
0053	Data processing services	2,146,316	2,380,309	2,218,054	162,255
0061	Community services	135,528	135,528	103,503	32,025
<b>Capital Outlay:</b>					
0081	Facilities acquisition and construction		50,000		50,000
<b>Intergovernmental:</b>					
0091	Contracted instructional services	2,500,000	2,500,000	2,481,934	18,066
0092	Incremental costs related to WADA	10,000	10,000		10,000
0093	Payments related to shared services arrangements	3,550,000	3,550,000	3,265,465	284,535
0099	Other intergovernmental charges	1,205,000	1,205,000	995,628	209,372
<b>6030</b>	<b>Total Expenditures</b>	<u>116,450,000</u>	<u>118,665,801</u>	<u>110,740,948</u>	<u>7,924,853</u>
1100	Excess (deficiency) of revenues over expenditures	<u>50,000</u>	<u>(2,031,589)</u>	<u>7,619,314</u>	<u>9,650,903</u>
<b>Other Financing Sources (Uses)</b>					
7912	Sale of property			13,538	13,538
8911	Transfers out			(8,004,671)	(8,004,671)
<b>7080</b>	<b>Total other financing sources and uses</b>			<u>(7,991,133)</u>	<u>(7,991,133)</u>
1200	Net change in fund balances	50,000	(2,031,589)	(371,819)	1,659,770
<b>0100</b>	<b>Fund balances - beginning</b>	<u>81,001,732</u>	<u>81,001,732</u>	<u>81,001,732</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 81,051,732</u>	<u>\$ 78,970,143</u>	<u>\$ 80,629,913</u>	<u>\$ 1,659,770</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, 2015. During the year ended June 30, 2015, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition</u>	<u>Debt Service</u>
Amendments Approved	\$ 2,215,801	\$ 793,220	\$ 100,000

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, 2014. 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 debt service fund exceeded appropriations in for bond issuance costs and fees in the amount of \$245,924.

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
*Required Supplementary Information*

*Exhibit G-3*

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

**Teacher Retirement System of Texas**

	<u>2014</u>
District's proportion of the net pension liability	0.0516%
District's proportionate share of the net pension liability	\$ 13,774,044
State's proportionate share of the net pension liability associated with the District	<u>42,442,667</u>
Total	<u>\$ 56,216,711</u>
District's covered-employee payroll (for Measurement Year)	\$ 77,730,328
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	17.7%
Plan fiduciary net position as a percentage of the total pension liability *	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.

\* Per TRS' CAFR

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**

*Exhibit G-4*

**Teachers Retirement System of Texas**  
**Last 2 Fiscal Years**

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,925,355	\$ 1,290,318
Contributions in relation to the contractual required contributions contribution deficiency (excess)	<u>1,925,355</u>	<u>1,290,318</u>
	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 407,273,049	\$ 386,539,411
Contributions as a percentage of covered employee payroll	0.47%	0.33%

The District implemented GASB 68 and GASB 71 in fiscal year 2015.

**Changes in Assumptions**

Modifications to the actuarial methods and assumptions are based on a study of actual experience as adopted on April 8, 2011. The assumptions and methods used in the current valuation are the same except for the following modifications;

- Small reductions in the rates of retirements at most age and service combinations.
- Decrease in the post-retirement rates of mortality for both males and females.
- The salary increase assumption in the first year of employment was reduced.
- The method for determining the actuarial value of assets was modified to a method that sets the actuarial value of assets as the expected actuarial value of assets plus 20% of the difference between the actual market value of the assets and the expected actuarial value of assets.

Amounts reported for 2014 reflect the adoption of a new mortality assumption that the average life expectancy for members over 65 years of age will increase by roughly nine months over the next four years.

**OTHER SUPPLEMENTARY INFORMATION**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2015

<b>Data Control Codes</b>	<b>206</b>	<b>211</b>	<b>224</b>
	<b>ESEA, Title III-B, Education for Homeless Children and Youth</b>	<b>ESEA Title I, A - Improving Basic Ed.</b>	<b>IDEA B - Formula</b>
<b>Assets</b>			
1110	Cash and temporary investments	\$	\$
<b>Receivables:</b>			
1240	Receivables from other governments	21,860	203,014
1260	Due from other funds		477,576
1310	Inventories, at cost		
1410	Prepaid items	7,831	
<b>1000</b>	<b>Total Assets</b>	<u>\$ 21,860</u>	<u>\$ 210,845</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	Accounts payable	\$	\$ 10,133
2160	Accrued wages payable	7,063	113,976
2170	Due to other funds	14,797	86,736
2180	Due to other governments		185,648
2300	Unearned revenues		
<b>2000</b>	<b>Total Liabilities</b>	<u>21,860</u>	<u>210,845</u>
<b>Fund Balance:</b>			
<b>Non-Spendable:</b>			
3410	Inventories		
3430	Prepaid items		
<b>Restricted:</b>			
3450	Federal/State funds grant restrictions		
<b>Committed:</b>			
3545	Other purposes		
<b>3000</b>	<b>Total Fund Balances</b>	<u></u>	<u></u>
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 21,860</u>	<u>\$ 210,845</u>

*Exhibit H-1*  
*Page 1 of 3*

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>
\$	\$ 778,106	\$	\$
8,574	89,268		54,442
	70,354		
<u>\$ 8,574</u>	<u>\$ 937,728</u>	<u>\$</u>	<u>\$ 54,442</u>
\$	\$ 31,716	\$	\$ 536
5,648	354,183		34,252
2,926	47,071		19,654
	30		
	3,020		
<u>8,574</u>	<u>436,020</u>	<u>\$</u>	<u>54,442</u>
	70,354		
	431,354		
	<u>501,708</u>		
<u>\$ 8,574</u>	<u>\$ 937,728</u>	<u>\$</u>	<u>\$ 54,442</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2015

<u>Data Control Codes</u>	263	397	404	
<u>Data Control Codes</u>	<u>ESEA Title III, A - English Lang. Acquisition</u>	<u>Advanced Placement Incentive</u>	<u>Student Success Initiative</u>	
<b>Assets</b>				
1110	Cash and temporary investments	\$	\$ 11,765	\$
<b>Receivables:</b>				
1240	Receivables from other governments	17,483		
1260	Due from other funds			
1310	Inventories, at cost			
1410	Prepaid items			
<b>1000</b>	<b>Total Assets</b>	<u>\$ 17,483</u>	<u>\$ 11,765</u>	<u>\$</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$ 865	\$	\$
2160	Accrued wages payable	2,516		
2170	Due to other funds	14,102		
2180	Due to other governments			
2300	Unearned revenues			
<b>2000</b>	<b>Total Liabilities</b>	<u>17,483</u>		
 <b>Fund Balance:</b>				
<b>Non-Spendable:</b>				
3410	Inventories			
3430	Prepaid items			
<b>Restricted:</b>				
3450	Federal/State funds grant restrictions		11,765	
<b>Committed:</b>				
3545	Other purposes			
<b>3000</b>	<b>Total Fund Balances</b>		<u>11,765</u>	
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 17,483</u>	<u>\$ 11,765</u>	<u>\$</u>

*Exhibit H-1*  
*Page 2 of 3*

<b>410</b>	<b>434</b>	<b>461</b>
<b>Instructional Materials Allotment</b>	<b>SSA - Visually Impaired</b>	<b>Campus Activity Fund</b>
\$	\$ 46,703	\$ 453,141
326,219	6,288	
		7,115
<u>\$ 326,219</u>	<u>\$ 52,991</u>	<u>\$ 460,256</u>
\$ 58,557	\$	\$ 23,460
22,614	26,862	
235,418	21,481	644
<u>316,589</u>	<u>48,343</u>	<u>24,104</u>
		7,110
9,630	4,648	
		429,042
<u>9,630</u>	<u>4,648</u>	<u>436,152</u>
<u>\$ 326,219</u>	<u>\$ 52,991</u>	<u>\$ 460,256</u>

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**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

*Exhibit H-1*  
*Page 3 of 3*

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<u>Data Control Codes</u>	<u>Deer Park Education Foundation</u>	<u>Outdoor Learning Centers</u>	<u>Total Nonmajor Governmental Funds</u>	
<b>Assets</b>				
1110	Cash and temporary investments	\$ 23,607	\$ 1,704	\$ 1,315,026
<b>Receivables:</b>				
1240	Receivables from other governments			1,204,724
1260	Due from other funds	13,550		13,550
1310	Inventories, at cost			70,354
1410	Prepaid items			14,946
<b>1000</b>	<b>Total Assets</b>	<u>\$ 37,157</u>	<u>\$ 1,704</u>	<u>\$ 2,618,600</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$ 37,157	\$	\$ 162,424
2160	Accrued wages payable			859,042
2170	Due to other funds			628,477
2180	Due to other governments			30
2300	Unearned revenues			3,020
<b>2000</b>	<b>Total Liabilities</b>	<u>37,157</u>	<u></u>	<u>1,652,993</u>
<b>Fund Balance:</b>				
<b>Non-Spendable:</b>				
3410	Inventories			70,354
3430	Prepaid items			7,110
<b>Restricted:</b>				
3450	Federal/State funds grant restrictions		1,704	459,101
<b>Committed:</b>				
3545	Other purposes			429,042
<b>3000</b>	<b>Total Fund Balances</b>	<u></u>	<u>1,704</u>	<u>965,607</u>
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 37,157</u>	<u>\$ 1,704</u>	<u>\$ 2,618,600</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, 2015*

<u>Data Control Codes</u>	<b>206 ESEA, Title III-B, Education for Homeless Children and Youth</b>	<b>211 ESEA Title I, A - Improving Basic Ed.</b>	<b>224 IDEA B - Formula</b>
<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$
5800	State program revenues		
5900	Federal program revenues	49,102	2,299,300
<b>5020</b>	<b>Total Revenues</b>	<u>49,102</u>	<u>2,299,300</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011	Instruction	2,144	2,075,641
0012	Instruction resources and media services		
0013	Curriculum and instructional staff development		186,151
0023	School leadership		18,909
0031	Guidance, counseling and evaluation services		223,659
0035	Food service		
0051	Facilities maintenance and operations		
0053	Data processing services		
0061	Community services	46,958	53,476
<b>6030</b>	<b>Total Expenditures</b>	<u>49,102</u>	<u>2,299,300</u>
1100	Excess (deficiency) of revenues over expenditures		
<b>Other Financing Sources (Uses)</b>			
7915	Transfers in		
<b>7080</b>	<b>Total other financing sources and uses</b>		
1200	Net change in fund balances		
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>		
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<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>
\$	\$ 2,822,070	\$	\$
	29,930		
38,860	3,149,090	95,628	267,774
<u>38,860</u>	<u>6,001,090</u>	<u>95,628</u>	<u>267,774</u>
38,860		95,628	224,966
			42,808
	7,427,234		
	250,180		
<u>38,860</u>	<u>7,677,414</u>	<u>95,628</u>	<u>267,774</u>
	(1,676,324)		
	(1,676,324)		
	2,178,032		
<u>\$</u>	<u>\$ 501,708</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, 2015*

<b>Data Control Codes</b>		<b>263</b>	<b>397</b>	<b>404</b>
		<b>ESEA Title III, A - English Lang. Acquisition</b>	<b>Advanced Placement Incentive</b>	<b>Student Success Initiative</b>
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues		4,050	
5900	Federal program revenues	119,829		
<b>5020</b>	<b>Total Revenues</b>	<u>119,829</u>	<u>4,050</u>	
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	64,685		
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	55,144		
0023	School leadership			
0031	Guidance, counseling and evaluation services			
0035	Food service			
0051	Facilities maintenance and operations			
0053	Data processing services			
0061	Community services			
<b>6030</b>	<b>Total Expenditures</b>	<u>119,829</u>		
1100	Excess (deficiency) of revenues over expenditures		<u>4,050</u>	
	<b>Other Financing Sources (Uses)</b>			
7915	Transfers in			
<b>7080</b>	<b>Total other financing sources and uses</b>			
1200	Net change in fund balances		4,050	
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>		<u>7,715</u>	
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$ 11,765</u>	<u>\$</u>

*Exhibit H-2*  
*Page 2 of 3*

<b>410</b>	<b>434</b>	<b>461</b>
<b>Instructional Materials Allotment</b>	<b>SSA - Visually Impaired</b>	<b>Campus Activity Fund</b>
\$ 615,631	\$ 159,708 20,000	\$ 512,955
615,631	179,708	512,955
358,031	176,368	353,888
8,872		113,045
198,183	327	20,288
		13,792
40,915		
606,001	176,695	501,013
9,630	3,013	11,942
9,630	3,013	11,942
	1,635	424,210
\$ 9,630	\$ 4,648	\$ 436,152

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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, 2015**

*Exhibit H-2*  
*Page 3 of 3*

<b>Data Control Codes</b>		<b>481</b>	<b>483</b>	
<b>Data Control Codes</b>		<b>Deer Park Education Foundation</b>	<b>Outdoor Learning Centers</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ 265,317	\$	\$ 3,760,050
5800	State program revenues			669,611
5900	Federal program revenues			7,226,444
<b>5020</b>	<b>Total Revenues</b>	<u>265,317</u>		<u>11,656,105</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	265,318	399	4,604,253
0012	Instruction resources and media services			121,917
0013	Curriculum and instructional staff development			502,901
0023	School leadership			32,701
0031	Guidance, counseling and evaluation services			223,659
0035	Food service			7,427,234
0051	Facilities maintenance and operations			250,180
0053	Data processing services			40,915
0061	Community services			100,434
<b>6030</b>	<b>Total Expenditures</b>	<u>265,318</u>	<u>399</u>	<u>13,304,194</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(1)</u>	<u>(399)</u>	<u>(1,648,089)</u>
<b>Other Financing Sources (Uses)</b>				
7915	Transfers in	4,671		4,671
<b>7080</b>	<b>Total other financing sources and uses</b>	<u>4,671</u>		<u>4,671</u>
1200	Net change in fund balances	4,670	(399)	(1,643,418)
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>	<u>(4,670)</u>	<u>2,103</u>	<u>2,609,025</u>
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$ 1,704</u>	<u>\$ 965,607</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit H-3*

*COMBINING STATEMENTS OF NET POSITION*

*INTERNAL SERVICE FUNDS*

*June 30, 2015*

Data Control Codes		753 Health Insurance Fund	771 Workers' Compensation Fund	775 ECC - Extended Day Care	776 USA Club Swim	Total
	<b>Assets</b>					
	<b>Current assets:</b>					
1110	Cash and cash equivalents	\$ 6,040,919	\$ 2,121,571	\$ 97,212	\$ 23,660	\$ 8,283,362
	<b>Receivables:</b>					
1260	Due from other funds	25,983	770			26,753
1290	Other receivables	1,253	640			1,893
<b>1000</b>	<b>Total Assets</b>	6,068,155	2,122,981	97,212	23,660	8,312,008
	<b>Liabilities</b>					
	<b>Current Liabilities:</b>					
2110	Accounts payable				1,698	1,698
2150	Payroll deduction and withholdings payable	18,771				18,771
2160	Accrued wages payable			35,507		35,507
2170	Due to other funds	2,840,340	610	2,904	176	2,844,030
2200	Accrued expenses		283,346			283,346
<b>2000</b>	<b>Total Liabilities</b>	2,859,111	283,956	38,411	1,874	3,183,352
	<b>Net Position</b>					
3900	Unrestricted net position	3,209,044	1,839,025	58,801	21,786	5,128,656
<b>3000</b>	<b>Total Net Position</b>	\$ 3,209,044	\$ 1,839,025	\$ 58,801	\$ 21,786	\$ 5,128,656

**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, 2015*

<b>Data Control Codes</b>	<b>753 Health Insurance Fund</b>	<b>771 Workers' Compensation Fund</b>	<b>775 ECC - Extended Day Care</b>	<b>776 USA Club Swim</b>	<b>Total</b>
<b>Operating Revenues</b>					
5700 Charges for Services	\$ 231,097	\$ 632,293	\$ 238,486	\$ 102,677	\$ 1,204,553
<b>5020 Total Operating Revenues</b>	<u>231,097</u>	<u>632,293</u>	<u>238,486</u>	<u>102,677</u>	<u>1,204,553</u>
<b>Operating Expenses</b>					
6100 Payroll costs	122,200	51,872	268,684	25,044	467,800
6200 Purchased and contracted services	22,500			48,529	71,029
6300 Supplies and materials			9,473	3,642	13,115
6400 Claims expense and other operating expenses	8,337	386,471	1,120	26,028	421,956
<b>6030 Total Operating Expenses</b>	<u>153,037</u>	<u>438,343</u>	<u>279,277</u>	<u>103,243</u>	<u>973,900</u>
1200 Operating Income (Loss)	<u>78,060</u>	<u>193,950</u>	<u>(40,791)</u>	<u>(566)</u>	<u>230,653</u>
<b>Non-Operating Revenues (Expenses)</b>					
7020 Earnings - temporary deposits and investments	8,364	2,774			11,138
<b>Total Nonoperating Revenues</b>	<u>8,364</u>	<u>2,774</u>			<u>11,138</u>
1200 Change in Net Position	86,424	196,724	(40,791)	(566)	241,791
<b>0100 Net Position - July 1 (Beginning)</b>	<u>3,122,620</u>	<u>1,642,301</u>	<u>99,592</u>	<u>22,352</u>	<u>4,886,865</u>
<b>3300 Net Position - June 30 (Ending)</b>	<u>\$ 3,209,044</u>	<u>\$ 1,839,025</u>	<u>\$ 58,801</u>	<u>\$ 21,786</u>	<u>\$ 5,128,656</u>

## DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

## COMBINING STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2015

	753 Health Insurance Fund	771 Workers' Compensation Fund	775 ECC - Extended Day Care	776 USA Club Swim	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from user charges	\$ 229,844	\$ 632,069	\$ 238,486	\$ 102,677	\$ 1,203,076
Cash received from gifts and bequests					
Cash receipts from quasi-external operating activities with other funds					
Cash payments for insurance claims	(8,337)	(366,148)			(374,485)
Cash payments to suppliers for goods and services	(21,891)		(10,593)	(77,741)	(110,225)
Cash payments to employees	(122,134)	(51,872)	(247,738)	(25,044)	(446,788)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>77,482</u>	<u>214,049</u>	<u>(19,845)</u>	<u>(108)</u>	<u>271,578</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Advances from other funds	469			176	645
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>469</u>			<u>176</u>	<u>645</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	8,364	2,774			11,138
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>8,364</u>	<u>2,774</u>			<u>11,138</u>
Net Increase in Cash and Cash Equivalents	86,315	216,823	(19,845)	68	283,361
Cash and Cash Equivalents at Beginning of Year	5,954,604	1,904,748	117,057	23,592	8,000,001
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 6,040,919</u>	<u>\$ 2,121,571</u>	<u>\$ 97,212</u>	<u>\$ 23,660</u>	<u>\$ 8,283,362</u>
<b>Reconciliation to Balance Sheet</b>					
Cash and Cash Equivalents Per Cash Flow	\$ 6,040,919	\$ 2,121,571	\$ 97,212	\$ 23,660	\$ 8,283,362
Cash and Cash Equivalents per Balance Sheet	<u>\$ 6,040,919</u>	<u>\$ 2,121,571</u>	<u>\$ 97,212</u>	<u>\$ 23,660</u>	<u>\$ 8,283,362</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ 78,060	\$ 193,950	\$ (40,791)	\$ (566)	\$ 230,653
<b>Change in Assets and Liabilities:</b>					
Decrease (increase) in Receivables					
Decrease (increase) in Other Receivables	(1,253)	(640)			(1,893)
Decrease (increase) in Prepaid Items	609	416			1,025
Increase (decrease) in Interfund Payable		610		458	1,068
Increase (decrease) in Accrued Wages Payable			18,998		18,998
Increase (decrease) in Payroll deduction and withholdings payable	66		1,948		2,014
Increase (decrease) in Claims Payable		19,713			19,713
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 77,482</u>	<u>\$ 214,049</u>	<u>\$ (19,845)</u>	<u>\$ (108)</u>	<u>\$ 271,578</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit H-6*

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2015

<b>Data Control Codes</b>		<b>848 Employee Scholarship Fund</b>	<b>849 Student Loan Fund</b>	<b>Total Private Purpose Trust Funds</b>
	<b>Assets</b>			
1110	Cash and cash equivalents	\$ 100,109	\$	\$ 100,109
	<b>Receivables:</b>			
1290	Other receivables		5,166	5,166
<b>1000</b>	<b>Total Assets</b>	<u>100,109</u>	<u>5,166</u>	<u>105,275</u>
	<b>Liabilities</b>			
2110	Accounts payable		40	40
<b>2000</b>	<b>Total Liabilities</b>		<u>40</u>	<u>40</u>
	<b>Net Position</b>			
3800	Restricted	<u>\$ 100,110</u>	<u>\$ 5,126</u>	<u>\$ 105,236</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
*For the Year Ended June 30, 2015*

*Exhibit H-7*

	<b>848</b>	<b>849</b>	
	<b>Employee Scholarship Fund</b>	<b>Student Loan Fund</b>	<b>Total Private Purpose Trust Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Additions</b>			
Gifts and contributions	\$ 27,697	\$	\$ 27,697
<b>Total additions</b>	<u>27,697</u>	<u>                    </u>	<u>27,697</u>
 <b>Deductions</b>			
Non-operating expenses	21,213	<u>                    </u>	21,213
<b>Total deductions</b>	<u>21,213</u>	<u>                    </u>	<u>21,213</u>
 Change in net position	6,484		6,484
 <b>Net position beginning of year</b>	<u>93,626</u>	<u>5,126</u>	<u>98,752</u>
 <b>Net position end of year</b>	<u>\$ 100,110</u>	<u>\$ 5,126</u>	<u>\$ 105,236</u>

**REQUIRED TEA SCHEDULES**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended June 30, 2015*

<b>Last Ten Fiscal Years</b>	<b>Tax Rates</b>		<b>Net Assessed/Appraised Value For School Tax Purposes</b>	<b>Beginning Balance 7/01/2014</b>
	<b>1 Maintenance</b>	<b>2 Debt Service</b>		
2006 and prior	Various	Various	Various	\$ 477,881
2007	1.458700	0.203600	7,062,841,485	110,569
2008	1.106700	0.210950	7,270,178,272	69,253
2009	1.106700	0.230000	7,519,036,732	106,409
2010	1.106700	0.260000	7,002,985,805	148,704
2011	1.106700	0.290000	6,487,707,562	120,906
2012	1.106700	0.290000	6,762,334,288	155,165
2013	1.236700	0.290000	7,105,010,873	375,586
2014	1.236700	0.320000	7,427,867,476	2,150,458
2015	1.236700	0.320000	7,632,051,262	
<b>1000 Totals</b>				<u><u>\$ 3,714,931</u></u>

Penalty and interest receivable on taxes

**Total taxes receivable per Exhibit C-1**

*Exhibit J-1*

<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 6/30/2015</b>
\$	\$ 979	\$ 7,018	\$ (80,137)	\$ 389,747
	289	2,074	(373)	107,833
	1,555	8,158	(514)	59,026
	1,391	6,695	(65)	98,258
	6,485	27,604	16,542	131,157
	7,363	28,099	15,612	101,056
	10,514	40,123	16,439	120,967
	27,556	117,510	191,544	422,064
	185,895	718,425	(27,909)	1,218,229
<u>118,808,142</u>	<u>93,515,075</u>	<u>24,197,319</u>		<u>1,095,748</u>
<u>\$ 118,808,142</u>	<u>\$ 93,757,102</u>	<u>\$ 25,153,025</u>	<u>\$ 131,139</u>	3,744,085
				<u>1,551,373</u>
				<u>\$ 5,295,458</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit J-4*

**BUDGETARY COMPARISON SCHEDULE**

**NATIONAL SCHOOL BREAKFAST AND LUNCH FUND**

*For the Year Ended June 30, 2015*

<b>Data Control Codes</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
5700	Local revenues	\$3,610,000	\$3,610,000	\$ 2,822,070	\$ (787,930)
5800	State program revenues	154,500	154,500	29,930	(124,570)
5900	Federal program revenues	3,072,572	3,072,572	3,149,090	76,518
<b>5020</b>	<b>Total Revenues</b>	<b>6,837,072</b>	<b>6,837,072</b>	<b>6,001,090</b>	<b>(835,982)</b>
<b>Expenditures</b>					
<b>Current:</b>					
0035	Food services	7,502,424	8,295,644	7,427,234	868,410
0051	Facilities maintenance and operations	252,500	252,500	250,180	2,320
<b>6030</b>	<b>Total Expenditures</b>	<b>7,754,924</b>	<b>8,548,144</b>	<b>7,677,414</b>	<b>870,730</b>
1200	Net change in fund balances	(917,852)	(1,711,072)	(1,676,324)	34,748
<b>0100</b>	<b>Fund balances - beginning</b>	<b>2,178,032</b>	<b>2,178,032</b>	<b>2,178,032</b>	
<b>3000</b>	<b>Fund balances - ending</b>	<b>\$1,260,180</b>	<b>\$ 466,960</b>	<b>\$ 501,708</b>	<b>\$ 34,748</b>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit J-5*

*BUDGETARY COMPARISON SCHEDULE*

*DEBT SERVICE FUND*

*For the Year Ended June 30, 2015*

<b>Data Control Codes</b>		<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
		<b>Original</b>	<b>Final</b>		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 24,625,000	\$ 24,625,000	\$ 24,579,592	\$ (45,408)
5900	Federal program revenues	569,660	569,660	582,832	13,172
<b>5020</b>	<b>Total Revenues</b>	<u>25,194,660</u>	<u>25,194,660</u>	<u>25,162,424</u>	<u>(32,236)</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
	<b>Debt Service:</b>				
0071	Principal on long-term debt	14,325,000	14,325,000	14,325,000	
0072	Interest on long-term debt	11,500,000	11,350,000	11,337,007	12,993
0073	Bond issuance costs and fees	30,000	280,000	525,924	(245,924)
<b>6030</b>	<b>Total Expenditures</b>	<u>25,855,000</u>	<u>25,955,000</u>	<u>26,187,931</u>	<u>(232,931)</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(660,340)</u>	<u>(760,340)</u>	<u>(1,025,507)</u>	<u>(265,167)</u>
	<b>Other Financing Sources (Uses)</b>				
7901	Refunding Bonds Issued			49,235,000	49,235,000
7916	Premium or discount on issuance of bonds			6,348,353	6,348,353
8949	Payment to Bond Refunding Escrow Agent			<u>(55,635,032)</u>	<u>(55,635,032)</u>
7080	<b>Total other financing sources and uses</b>			<u>(51,679)</u>	<u>(51,679)</u>
1200	Net change in fund balances	(660,340)	(760,340)	(1,077,186)	(316,846)
<b>0100</b>	<b>Fund balances - beginning</b>	<u>8,023,219</u>	<u>8,023,219</u>	<u>8,023,219</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 7,362,879</u>	<u>\$ 7,262,879</u>	<u>\$ 6,946,033</u>	<u>\$ (316,846)</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, 2015, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated November 16, 2015.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Houston, Texas  
November 16, 2015

**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, 2015. 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, 2015.

### **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 16, 2015

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year ended June 30, 2015*

**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

**U.S. Department of Agriculture**

<i>Child Nutrition Cluster:</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
National School Lunch Program – USDA Commodities	10.555

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, 2015*

**II. Financial Statement Findings**

None Reported

**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

**Resolved** - At June 30, 2015, The District's fund balance in the  
Child Nutrition fund did not exceed three months of average  
expenditures.

**V. Corrective Action Plan**

N/A

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit K-1*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*For the Year Ended June 30, 2015*

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
<b>U.S. Department of Education</b>				
<b>Passed Through Texas Education Agency:</b>				
14610101101908	<i>ESEA, Title I, Part A</i>	211	84.010A	\$ 33,580
15610101101908	<i>ESEA, Title I, Part A</i>	211	84.010A	1,173,281
146600011019086000	<i>IDEA-B Formula *</i>	224	84.027A	4,321
156600011019086000	<i>IDEA-B Formula *</i>	224	84.027A	2,294,979
156610011019086000	<i>IDEA-B Preschool *</i>	225	84.173A	38,860
15420006101908	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	95,628
14694501101908	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	5,580
15694501101908	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	262,194
14671001101908	<i>ESEA Title III , Part A, LEP</i>	263	84.365A	43,743
15671001101908	<i>ESEA Title III , Part A, LEP</i>	263	84.365A	76,086
69551402	<i>Summer School LEP</i>	199	84.369A	5,533
<b>Total Passed Through Texas Education Agency</b>				<b>4,033,785</b>
<b>Passed Through Region 10 Education Service Center:</b>				
15-001	<i>ESEA. Title X, Part C, Education for the Homeless Children and Youth</i>	206	84.196	49,102
<b>Total Passed Through Region 10 Education Service Center</b>				<b>49,102</b>
<b>Total U.S. Department of Education</b>				<b>4,082,887</b>
<b>U.S. Department of Agriculture</b>				
<b>Passed Through Texas Department of Agriculture:</b>				
Non Cash Assistance (Commodities):				
101908	<i>National School Lunch Program**</i>	240	10.555	328,365
<b>Passed Through Texas Department of Education:</b>				
Cash Assistance:				
71301501	<i>National School Lunch Program**</i>	240	10.555	2,116,056
71401501	<i>School Breakfast Program**</i>	240	10.553	704,669
<b>Total Department of Agriculture</b>				<b>3,149,090</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 7,231,977</b>

\*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, 2015. 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	\$ 7,231,977
Federal Revenue Accounted for in Governmental Funds	
Medicaid SHARS	997,746
E-Rate Reimbursements	51,846
Interest Rate Subsidy on Build America Bonds	582,832
	<u>1,632,424</u>
<b>Total Federal Revenue - Exhibit C-3</b>	<u><u>\$ 8,864,401</u></u>

**Note 4 - General Fund Expenditures**

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

Medicaid SHARS	\$	997,746
E-Rate Reimbursements		51,846
Summer School LEP (CFDA 84.369A)		5,533
	\$	<u>1,055,125</u>

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**DO NOT BIND IN REPORT**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit L-1*

*Required Responses to Selected School First Indicators*

*June 30, 2015*

Schedule L-1 – Required Responses to Selected School FIRST Indicators

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ <u>0</u>
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ <u>0</u>
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ <u>13,774,044</u>
SF13	Pension Expense (6147) at fiscal year-end.	\$ <u>1,273,166</u>