

**DEER PARK INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**For the Year Ended June 30, 2016**



**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<u>Page</u>	<u>Exhibit</u>
<b>Certificate of the Board</b>	i	
<b>Financial Section</b>		
<b>Independent Auditor’s Report</b>	1	
<b>Management’s Discussion and Analysis</b>	6	
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements		
Statement of Net Position	16	A-1
Statement of Activities	17	B-1
Governmental Fund Financial Statements		
Balance Sheet	18	C-1
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Position	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	22	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	24	C-4
Proprietary Fund Financial Statements		
Statement of Net Position	25	D-1
Statement of Revenues, Expenses, and Changes in Net Position	26	D-2
Statement of Cash Flows	27	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	28	E-1
Statement of Changes in Fiduciary Net Position	29	E-2
Notes to the Financial Statements	30	F-1
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule - General Fund	60	G-1
Notes to Required Supplementary Information	61	G-2
Schedule of District’s Proportionate Share of the Net Pension Liability	62	G-3
Schedule of District Contributions	63	G-4
Notes to the Required Supplementary Information – Pensions	64	G-5
<b>Other Supplementary Information:</b>		
Combining Fund Statements:		
Nonmajor Governmental Funds		
Combining Balance Sheet	66	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72	H-2
Internal Service Funds		
Combining Statement of Net Position	78	H-3
Combining Statement of Revenues, Expenses, and Changes in Net Position	79	H-4
Combining Statement of Cash Flows	80	H-5

# DEER PARK INDEPENDENT SCHOOL DISTRICT

## TABLE OF CONTENTS (continued)

	<u>Page</u>	<u>Exhibit</u>
<b>Financial Section (continued)</b>		
<b>Other Supplementary Information (continued):</b>		
Combining Fund Statements (continued):		
Fiduciary Funds		
Statement of Fiduciary Net Position	81	H-6
Statement of Changes in Fiduciary Net Position	82	H-7
<b>Required TEA Schedules:</b>		
Schedule of Delinquent Taxes Receivable	84	J-1
Budgetary Comparison Schedule - Child Nutrition Fund	86	J-4
Budgetary Comparison Schedule - Debt Service Fund	87	J-5
<b>Federal Awards Section</b>		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Grant Guidance</i>	93	
Schedule of Findings and Questioned Costs	95	
Schedule of Expenditures of Federal Awards	97	K-1
Notes to Schedule of Expenditures of Federal Awards	98	K-2

**CERTIFICATE OF THE BOARD**

Deer Park Independent School District      Harris      101-908  
Name of School District      County      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, 2016, at a meeting of the Board of Trustees of such school district on November 14, 2016.

Ken Stovell  
President of the Board

J. K. Smith  
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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-14, budgetary comparison information on pages 60-61 and pension schedules on pages 62-64, 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 ("OMB"); Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

To the Board of Trustees  
Deer Park Independent School District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, 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.

Whitley Penn LLP

Houston, Texas  
November 14, 2016

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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, 2016.

#### **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 \$143,519,648 (net position). Of this amount, \$75,974,282 (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 \$1,563,590.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$90,385,922, a decrease of \$9,960,568 in comparison with the prior year. The overall decrease in governmental fund balances was primarily due to a decrease in the general fund balance of \$5,095,929, as well as a decrease in the capital projects fund balance of \$3,498,473.
- During the current fiscal year, unassigned fund balance for the general fund is 29 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$15,370,000 (6 percent) during the current fiscal year.

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

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

#### **Government-wide Financial Statements**

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, 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, and capital projects. 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, and the capital projects 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 \$143,519,648 at the close of the most recent fiscal year.

A large portion of the District's net position (\$64,577,541) 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, 2016, the District's net position included the following:

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 113,752,970	\$ 122,846,974
Capital and non current assets	306,104,957	312,386,320
<b>Total Assets</b>	<b>419,857,927</b>	<b>435,233,294</b>
Deferred out flows of resources	14,493,529	7,733,075
<b>Total Deferred Outflows of Resources</b>	<b>14,493,529</b>	<b>7,733,075</b>
Current liabilities	17,087,119	18,122,691
Long term liabilities	271,918,197	278,674,098
<b>Total Liabilities</b>	<b>289,005,316</b>	<b>296,796,789</b>
Deferred inflows of resources	1,826,492	4,213,522
<b>Total Deferred Inflows of Resources</b>	<b>1,826,492</b>	<b>4,213,522</b>
<b>Net Position:</b>		
Net investment in capital assets	64,577,541	63,994,432
Restricted	2,967,825	4,268,066
Unrestricted	75,974,282	73,693,560
<b>Total Net Position</b>	<b>\$ 143,519,648</b>	<b>\$ 141,956,058</b>

Net position is restricted for various purposes as follows:

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Federal and state programs	\$ 24,567	\$ 27,747
Food service	93,135	501,708
Debt service	2,850,123	3,738,611
	<b>\$ 2,967,825</b>	<b>\$ 4,268,066</b>

The balance of unrestricted net position (\$75,974,282) 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 \$1,563,590 during the current fiscal year.

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

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Program Revenues</b>		
Charges for services	\$ 15,563,717	\$ 68,382,879
Operating grants	19,102,263	13,473,493
<b>General Revenues</b>		
Property taxes	119,835,418	119,072,550
State Aid - Formula Grants	12,968,000	15,572,275
Interest earnings	249,754	263,782
Other	1,129,151	1,864,667
<b>Total Revenues</b>	<u>168,848,303</u>	<u>218,629,646</u>
<b>Expenses</b>		
Instruction	81,806,904	73,422,040
Instructional resources and media services	1,837,028	1,728,384
Curriculum and staff development	2,501,884	2,371,108
Instructional leadership	1,319,754	956,273
School leadership	6,842,572	6,445,701
Guidance, counseling, and evaluation services	5,977,992	5,543,300
Social work services	43,519	79,065
Health services	1,129,334	1,018,886
Student transportation	4,099,420	4,385,616
Food service	7,520,212	7,547,162
Extracurricular activities	2,347,193	2,531,567
General administration	6,254,804	5,681,555
Facilities maintenance and operations	10,624,016	12,974,699
Energy for Schools SSA (See note 14b)	16,109,468	64,393,990
Security and monitoring services	1,182,714	965,874
Data processing services	4,859,982	7,125,425
Community services	188,856	193,840
Interest on long-term debt	8,427,317	9,102,316
Debt issuance costs and fees	7,000	525,924
Facilities repairs and maintenance		1,487,444
Contracted instructional services between schools	2,746,443	2,481,934
Payments related to shared services arrangements	493,667	3,265,465
Other intergovernmental charges	964,634	995,628
<b>Total Expenses</b>	<u>167,284,713</u>	<u>215,223,196</u>
Increase (Decrease) in Net Position	1,563,590	3,406,450
<b>Beginning net position</b>	141,956,058	153,992,775
Prior period adjustment		(15,443,167)
<b>Ending Net Position</b>	<u>\$ 143,519,648</u>	<u>\$ 141,956,058</u>

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

**Governmental Activities**

Governmental activities increased the District's net position by \$1,563,590. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 90 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	\$ 119,835,418	71%
State Aid - Formula Grants	12,968,000	8%
Operating grants and contributions	19,102,263	11%
Charges for services	15,563,717	9%
Other revenue	1,378,905	1%
<b>Total Revenues</b>	<b>\$ 168,848,303</b>	<b>100%</b>

The primary functional expenses of the District are instruction, facilities maintenance and operations, which represent 65 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	\$ 81,806,904	49%
Facilities maintenance and operations (See note 14B)	26,733,484	16%
Other expenses	58,744,325	35%
<b>Total Expenses</b>	<b>\$ 167,284,713</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 \$90,385,922, a decrease of \$9,960,568 in comparison with the prior fiscal year. The decrease in ending governmental fund balances is primarily due to a planned decrease in the capital projects fund balance related to the District's ongoing construction projects and a budgeted decrease to the debt service fund.

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 \$33,183,516, while total fund balance reached \$75,533,984. 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 29 percent of total general fund expenditures, while total fund balance represents 66 percent of that same

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

amount. The fund balance of the District's general fund decreased by \$5,095,929 primarily due to the following three reasons: 1) transferring \$4 million from the general fund to the capital projects fund, 2) a property tax refund of \$1,490,449, and 3) a property value appeal which has been approved by the state Comptroller's office but not yet paid by TEA which will result in the district receiving a net amount of \$1,660,151 (since payment was not paid to the district within 60 days of the end of the fiscal year the district is unable to account for these monies as current year revenue).

The *debt service fund* has a total fund balance of \$5,978,538, 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 \$967,495 was in line with budgeted expectations.

The *capital projects fund* has a total fund balance of \$8,299,552, all of which is restricted for authorized construction and technology projects/enhancements. The decrease in fund balance during the current year of \$3,498,473 was due to ongoing renovations and construction of new facilities.

**General Fund Budgetary Highlights**

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

	<u>Budget</u>	
	<u>Original</u>	<u>Final Amended</u>
Total revenues	\$ 117,176,666	\$ 117,218,692
Total expenditures	117,176,666	118,028,783
<b>Net change in fund balance</b>	<u>\$</u>	<u>\$ (810,091)</u>

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

**Capital Assets and Long-term Liabilities**

**Capital Assets**

The District's investment in capital assets for its governmental type activities as of June 30, 2016, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was \$306,104,957. The following table summarizes the investment in capital assets as of June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Land	\$ 16,349,826	\$ 16,380,197
Buildings and improvements	388,275,325	354,191,689
Furniture and equipment	31,119,697	29,548,663
Construction in progress		<u>30,015,045</u>
<b>Total</b>	<u>435,744,848</u>	<u>430,135,594</u>
Accumulated depreciation	<u>(129,639,891)</u>	<u>(117,749,274)</u>
<b>Net capital assets</b>	<u>\$ 306,104,957</u>	<u>\$ 312,386,320</u>

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

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

**Long-term Liabilities**

At the end of the current fiscal year, the District had \$224,700,000 in bonded debt outstanding, a decrease of \$15,370,000 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, 2016, are as follows:

<b>Outstanding</b> <b>07/01/15</b>	<b>Issued</b>	<b>Retired</b>	<b>Outstanding</b> <b>06/30/16</b>
\$ 240,070,000	\$	\$ (15,370,000)	\$ 224,700,000

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 2016 are \$7,616,932,796 which is a decrease from the 2015 certified value of \$7,754,005,493 by \$1.37M. Single family home values have continued to increase as the average taxable residential value has increased from \$81,708 in the 2015/16 fiscal year to \$89,232 for 2016/17.
- The tax rate for 2015/16 was \$1.2367 for Maintenance and Operations (M&O) and \$0.32 for Interest and Sinking (I&S), for a total tax rate of \$1.5567 per \$100 of assessed value. The tax rate for 2016/17 is the same rate for both M&O and I&S.
- Total expenditures per student in the District’s General Fund (100) were \$8,979 for 2015/16. The budgeted expenditures per student in the District’s General Fund are \$9,011 for the 2016/17 fiscal year.
- The District has two fully executed Chapter 313 Agreements with another one pending. Two of the companies have pushed back the projects by a year. These Chapter 313 Agreements limit the taxable value of these projects at \$80 million for M&O tax 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 Chapter 41 or ‘recapture’.
- The total Deer Park ISD adopted budget for all funds for 2016/17 is \$151,017,550 (M&O: \$118,632,250, I&S: \$24,750,000, and Child Nutrition: \$7,635,300).

**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.

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## **BASIC FINANCIAL STATEMENTS**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2016

*Exhibit A-1*

<b>Data Control Codes</b>	<b>Governmental Activities</b>
<b>Assets</b>	
1110 Cash and cash equivalents	\$ 65,417,017
1120 Current investments	32,446,201
1225 Property taxes receivables, net	5,939,395
1240 Due from other governments	7,754,722
1267 Due from fiduciary funds	656
1290 Other receivables, net	837
1300 Inventories	348,936
1410 Prepaid items	1,845,206
<b>Capital assets not subject to depreciation:</b>	
1510 Land	16,349,826
<b>Capital assets net of depreciation:</b>	
1520 Buildings and improvements, net	278,430,060
1530 Furniture and equipment, net	11,325,071
<b>1000 Total Assets</b>	<b>419,857,927</b>
 <b>Deferred Outflows of Resources</b>	
1700 Deferred charge on refunding	4,480,596
1705 Deferred outflows - pension	10,012,933
<b>Total Deferred Outflows of Resources</b>	<b>14,493,529</b>
 <b>Liabilities</b>	
2110 Accounts payable	765,798
2140 Interest payable	3,705,211
2150 Payroll deductions and withholdings	19,230
2160 Accrued wages payable	11,714,242
2177 Due to fiduciary funds	172
2180 Due to other governments	680,806
2200 Accrued expenses	168,631
2300 Unearned revenue	33,029
<b>Noncurrent Liabilities:</b>	
2501 Due within one year	14,831,657
2502 Due in more than one year	232,480,225
2550 Net pension liability	24,606,315
<b>2000 Total Liabilities</b>	<b>289,005,316</b>
 <b>Deferred Inflows of Resources</b>	
2600 Deferred inflows - pension	1,826,492
<b>Deferred Inflows of Resources</b>	<b>1,826,492</b>
 <b>Net Position</b>	
3200 Net investment in capital assets	64,577,541
<b>Restricted for:</b>	
3820 Federal and state programs	24,567
3840 Food service	93,135
3850 Debt service	2,850,123
3900 Unrestricted	75,974,282
<b>3000 Total Net Position</b>	<b>\$ 143,519,648</b>

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2016

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 Governmental Activities
	Governmental activities:				
11	Instruction	\$ 81,806,904	\$ 664,998	\$ 11,456,882	\$ (69,685,024)
12	Instructional resources and media services	1,837,028	101,375	85,432	(1,650,221)
13	Curriculum and staff development	2,501,884	54,527	559,889	(1,887,468)
21	Instructional leadership	1,319,754		72,869	(1,246,885)
23	School leadership	6,842,572	58,691	457,084	(6,326,797)
31	Guidance, counseling, and evaluation services	5,977,992		648,640	(5,329,352)
32	Social work services	43,519		2,438	(41,081)
33	Health services	1,129,334		1,219,668	90,334
34	Student transportation	4,099,420		181,791	(3,917,629)
35	Food service	7,520,212	2,916,951	3,396,072	(1,207,189)
36	Extracurricular activities	2,347,193	241,777	117,039	(1,988,377)
41	General administration	6,254,804		178,216	(6,076,588)
51	Facilities maintenance and operations	26,733,484	11,525,398	437,354	(14,770,732)
52	Security and monitoring services	1,182,714		18,064	(1,164,650)
53	Data processing services	4,859,982		164,487	(4,695,495)
61	Community services	188,856		106,338	(82,518)
72	Interest on long-term debt	8,427,317			(8,427,317)
73	Debt issuance costs and fees	7,000			(7,000)
91	Contracted instructional services between schools	2,746,443			(2,746,443)
93	Payments related to shared services arrangements	493,667			(493,667)
99	Other intergovernmental charges	964,634			(964,634)
<b>TG</b>	<b>Total governmental activities</b>	<b>\$ 167,284,713</b>	<b>\$ 15,563,717</b>	<b>\$ 19,102,263</b>	<b>(132,618,733)</b>

Data Control Codes		
	<b>General revenues:</b>	
	<b>Taxes:</b>	
<b>MT</b>	Property taxes, levied for general purposes	95,602,950
<b>DT</b>	Property taxes, levied for debt service	24,232,468
<b>SF</b>	State-aid formula grants	12,968,000
<b>IE</b>	Investment earnings	249,754
<b>MI</b>	Miscellaneous	1,065,959
<b>SI</b>	Special Item - gain on sale of asset	63,192
<b>TR</b>	Total general revenues	<u>134,182,323</u>
<b>CN</b>	Change in net position	1,563,590
<b>NB</b>	Net position - beginning	141,956,058
<b>NE</b>	Net position - ending	<u>\$ 143,519,648</u>

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

<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	\$ 45,389,622	\$ 3,948,736	\$ 9,902,833
1120 Investments	32,442,221		3,980
<b>Receivables:</b>			
1220 Property taxes - delinquent	6,073,946	1,415,727	
1230 Allowance for uncollectible taxes (credit)	(1,329,146)	(221,132)	
1240 Receivables from other governments	5,699,455	292,230	
1260 Due from other funds	9,343,085	2,280,543	1,073,000
1300 Inventories, at cost	305,981		
1410 Prepaid items	1,840,170		
<b>1000 Total Assets</b>	<b>\$ 99,765,334</b>	<b>\$ 7,716,104</b>	<b>\$ 10,979,813</b>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>			
<b>Liabilities</b>			
2110 Accounts payable	\$ 539,239	\$	\$ 126,493
2150 Payroll deduction and withholdings payable	460		
2160 Accrued wages payable	10,773,833		
2170 Due to other funds	5,884,362	674,943	2,553,768
2180 Payable to other governments	680,774		
2300 Unearned revenues	25,786		
<b>2000 Total Liabilities</b>	<b>17,904,454</b>	<b>674,943</b>	<b>2,680,261</b>
<b>Deferred Inflows of Resources</b>			
2600 Unavailable revenues - property taxes	4,229,792	1,062,623	
2600 Unavailable revenues - state aid	2,097,104		
<b>Deferred Inflows of Resources</b>	<b>6,326,896</b>	<b>1,062,623</b>	
<b>Fund Balance</b>			
<b>Non-Spendable</b>			
3410 Inventories	305,981		
3430 Prepaid items	1,840,170		
<b>Restricted</b>			
3450 Federal/State funds grant restrictions			
3470 Capital acquisitions and contractual obligations			1,204,309
3480 Retirement of funded indebtedness		5,978,538	
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 Unassigned	33,183,516		7,095,243
<b>3000 Total fund balances</b>	<b>75,533,984</b>	<b>5,978,538</b>	<b>8,299,552</b>
<b>4000 Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 99,765,334</b>	<b>\$ 7,716,104</b>	<b>\$ 10,979,813</b>

See Notes to the Financial Statements

*Exhibit C-1*

<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 531,791	\$ 59,772,982
	32,446,201
	7,489,673
	(1,550,278)
1,763,037	7,754,722
119,512	12,816,140
42,955	348,936
5,036	1,845,206
<u>\$ 2,462,331</u>	<u>\$ 120,923,582</u>
\$ 98,279	\$ 764,011
	460
896,070	11,669,903
886,859	9,999,932
32	680,806
7,243	33,029
<u>1,888,483</u>	<u>23,148,141</u>
	5,292,415
	2,097,104
	<u>7,389,519</u>
42,955	348,936
5,036	1,845,206
66,687	66,687
	1,204,309
	5,978,538
	3,000,000
	4,000,000
461,360	33,461,360
	204,317
(2,190)	40,276,569
<u>573,848</u>	<u>90,385,922</u>
<u>\$ 2,462,331</u>	<u>\$ 120,923,582</u>

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**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

*Exhibit C-2*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	<b>\$ 90,385,922</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	306,104,957
<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).	5,292,415
<b>3</b>	Deferred loss on refunding	4,480,596
<b>4</b>	Deferred outflows related to TRS pension	10,012,933
<b>5</b>	State aid has been earned but is not available soon enough to pay for the current period's expenditures.	2,097,104
	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>6</b>	General obligation bonds	(224,700,000)
<b>7</b>	Premiums on issuance	(22,512,321)
<b>8</b>	Accrued compensated absences	(99,561)
<b>9</b>	Accrued interest payable	(3,705,211)
<b>10</b>	Net pension liability	(24,606,315)
<b>11</b>	Deferred inflow for pension investment earnings and proportionate share	(1,826,492)
<b>12</b>	Addition of Internal Service fund net position	2,595,621
<b>19</b>	<b>Total net position-governmental activities</b>	<b><u>\$ 143,519,648</u></b>

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, 2016*

<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	\$ 94,324,615	\$ 24,127,967	\$ 24,271
5800	State program revenues	18,388,362	357,154	
5900	Federal program revenues	1,154,461	582,893	
<b>5020</b>	<b>Total revenues</b>	<u>113,867,438</u>	<u>25,068,014</u>	<u>24,271</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	64,383,817		581,659
0012	Instruction resources and media services	1,170,828		184,246
0013	Curriculum and instructional staff development	2,007,063		
0021	Instructional leadership	1,299,311		
0023	School leadership	6,688,313		
0031	Guidance, counseling and evaluation services	5,528,152		
0032	Social work services	43,534		
0033	Health services	1,080,783		
0034	Student transportation	3,624,220		149,702
0035	Food services			319,268
0036	Extracurricular activities	2,225,095		753,442
0041	General administration	3,411,834		763,625
0051	Facilities maintenance and operations	14,571,254		1,135,739
0052	Security and monitoring services	1,096,757		23,156
0053	Data processing services	2,214,444		2,619,847
0061	Community services	94,006		
<b>Debt service:</b>				
0071	Principal on long-term debt		15,370,000	
0072	Interest on long-term debt		10,284,758	
0073	Bond issuance costs and fees		7,000	
<b>Capital outlay:</b>				
0081	Facilities acquisition and construction			3,992,060
<b>Intergovernmental:</b>				
0091	Contracted instructional services	2,746,443		
0093	Payments related to shared services arrangements	493,667		
0099	Other intergovernmental charges	964,634		
<b>6030</b>	<b>Total Expenditures</b>	<u>113,644,155</u>	<u>25,661,758</u>	<u>10,522,744</u>
1100	Excess (deficiency) of revenues over expenditures	<u>223,283</u>	<u>(593,744)</u>	<u>(10,498,473)</u>
<b>Other Financing Sources (Uses)</b>				
7912	Sale of real or personal property	171,237		
7915	Transfers in			7,000,000
8911	Transfers out	(4,000,000)		
8949	Other uses - property tax refunds	(1,490,449)	(373,751)	
<b>7080</b>	<b>Total other financing sources and uses</b>	<u>(5,319,212)</u>	<u>(373,751)</u>	<u>7,000,000</u>
1200	Net change in fund balances	(5,095,929)	(967,495)	(3,498,473)
<b>0100</b>	<b>Fund Balance - July 1 (Beginning)</b>	<u>80,629,913</u>	<u>6,946,033</u>	<u>11,798,025</u>
<b>3000</b>	<b>Fund Balance - June 30 (Ending)</b>	<u>\$ 75,533,984</u>	<u>\$ 5,978,538</u>	<u>\$ 8,299,552</u>

See Notes to the Financial Statements

*Exhibit C-3*

<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 15,032,147	\$ 133,509,000
2,085,282	20,830,798
7,494,624	9,231,978
<u>24,612,053</u>	<u>163,571,776</u>
5,988,330	70,953,806
127,169	1,482,243
455,843	2,462,906
	1,299,311
30,370	6,718,683
299,679	5,827,831
	43,534
	1,080,783
	3,773,922
6,723,921	7,043,189
	2,978,537
	4,175,459
11,251,960	26,958,953
	1,119,913
41,349	4,875,640
92,103	186,109
	15,370,000
	10,284,758
	7,000
	3,992,060
	2,746,443
	493,667
	964,634
<u>25,010,724</u>	<u>174,839,381</u>
<u>(398,671)</u>	<u>(11,267,605)</u>
	171,237
	7,000,000
	(4,000,000)
	<u>(1,864,200)</u>
	<u>1,307,037</u>
(398,671)	(9,960,568)
<u>972,519</u>	<u>100,346,490</u>
<u>\$ 573,848</u>	<u>\$ 90,385,922</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, 2016*

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (9,960,568)
	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.	
<b>1</b>	Governmental funds capital outlays	6,411,478
<b>2</b>	Governmental activities depreciation expense	(12,584,796)
	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.	(108,045)
<b>3</b>	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,259,060
<b>4</b>	State aid revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	2,097,104
<b>5</b>	Repayment of bond principal is an expenditure in the governmental fund, but the repayment	15,370,000
<b>6</b>	Pension contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	2,401,836
	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:	
<b>7</b>	Decrease in interest payable not recognized in fund statements	79,007
<b>8</b>	Decrease in long-term portion of accrued compensated absences	23,730
<b>9</b>	Amortization of bond premium	2,194,442
<b>10</b>	Amortization of deferred loss on refunded bonds	(416,008)
<b>11</b>	Pension expense for the pension plan measurement year	(3,670,615)
<b>12</b>	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	<u>(2,533,035)</u>
	<b>Change in net position of governmental activities (see B-1)</b>	<u><u>\$ 1,563,590</u></u>

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit D-1*

*STATEMENT OF NET POSITION*

*PROPRIETARY FUNDS*

*June 30, 2016*

<u>Data Control Codes</u>	<u>Governmental Activities- Internal Service Funds</u>
<b>Assets</b>	
<b>Current Assets:</b>	
1110-75 Cash and cash equivalents	\$ 5,644,035
<b>Receivables:</b>	
1260 Due from other funds	26,837
1290 Other receivables	837
<b>Total current assets</b>	<u>5,671,709</u>
<b>1000 Total Assets</b>	<u>5,671,709</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
2110 Accounts payable	1,787
2150 Payroll deduction and withholdings payable	18,770
2160 Accrued wages payable	44,339
2170 Due to other funds	2,842,561
2200 Accrued expenses	168,631
<b>Total current liabilities</b>	<u>3,076,088</u>
<b>2000 Total Liabilities</b>	<u>3,076,088</u>
<b>Net Position</b>	
3900 Unrestricted net position	2,595,621
<b>3000 Total Net Position</b>	<u>\$ 2,595,621</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, 2016*

*Exhibit D-2*

<u>Data Control Codes</u>	<u>Governmental Activities- Internal Service Funds</u>
<b>Operating Revenues</b>	
5700 Charges for Services	\$ 1,383,847
<b>5020 Total Operating Revenues</b>	<u>1,383,847</u>
<b>Operating Expenses</b>	
6100 Payroll costs	555,809
6200 Purchased and contracted services	99,243
6300 Supplies and materials	15,672
6400 Claims expense and other operating expenses	<u>266,612</u>
<b>6030 Total Operating Expenses</b>	<u>937,336</u>
1200 Operating Income (Loss)	<u>446,511</u>
<b>Non-Operating Revenues (Expenses)</b>	
7020 Investment earnings	<u>20,454</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>20,454</u>
Income(Loss) Before Transfers	<u>466,965</u>
<b>Transfers</b>	
8911 Transfers out	<u>(3,000,000)</u>
<b>Total Transfers</b>	<u>(3,000,000)</u>
1200 Change in Net Position	(2,533,035)
<b>0100 Net Position - July 1 (Beginning)</b>	<u>5,128,656</u>
<b>3300 Net Position - June 30 (Ending)</b>	<u>\$ 2,595,621</u>

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT***Exhibit D-3***STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***For the Year Ended June 30, 2016*

	<b>Governmental Activities- Internal Service Funds</b>
	<hr/>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,384,903
Cash payments for insurance claims	(351,730)
Cash payments to suppliers for goods and services	(142,988)
Cash payments to employees	(549,966)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<hr/> <b>340,219</b> <hr/>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Advances from other funds	
Advances to other funds	(3,000,000)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<hr/> <b>(3,000,000)</b> <hr/>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	20,454
<b>Net Cash Provided by Investing Activities</b>	<hr/> <b>20,454</b> <hr/>
Net Decrease in Cash and Cash Equivalents	(2,639,327)
Cash and Cash Equivalents at Beginning of Year	8,283,362
<b>Cash and Cash Equivalents at End of Year</b>	<hr/> <b>\$ 5,644,035</b> <hr/>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 446,511
<b>Change in Assets and Liabilities:</b>	
Decrease (increase) in Interfund Receivables	(84)
Decrease (increase) in Other Receivables	1,056
Decrease (increase) in Accounts Payable	(87)
Increase (decrease) in Interfund Payables	(1,294)
Increase (decrease) in Accrued Wages Payable	8,832
Increase (decrease) in Claims Payable	(114,715)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<hr/> <b>\$ 340,219</b> <hr/>

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, 2016*

<b>Data Control Codes</b>		<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 112,774	\$ 722,070
	Receivables:		
1290	Other receivables	5,166	
1410	Prepaid items		1,423
<b>1000</b>	<b>Total Assets</b>	<u>117,940</u>	<u>\$ 723,493</u>
	<b>Liabilities</b>		
2110	Accounts payable	6,691	\$ 21,584
2170	Due to primary government		483
2190	Due to others		676,014
2200	Other accrued expenses		25,412
<b>2000</b>	<b>Total Liabilities</b>	<u>6,691</u>	<u>\$ 723,493</u>
	<b>Net Position</b>		
3800	Restricted	<u>\$ 111,249</u>	

See Notes to the Financial Statements

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*For the Year Ended June 30, 2016*

*Exhibit E-2*

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Gifts and contributions	\$ 29,896
<b>Total additions</b>	<u>29,896</u>
<b>Deductions</b>	
Non-operating expenses	<u>23,882</u>
<b>Total deductions</b>	<u>23,882</u>
Change in net position	6,014
<b>Net position beginning of year</b>	<u>105,235</u>
<b>Net position end of year</b>	<u>\$ 111,249</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.

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 fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

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

**E. Deposits and Investments**

Investments for the District are reported at fair value. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond 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 FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

**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 2016 (tax year 2015) was \$7,667,554,057. 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 2016 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 2016 was \$119,360,814. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

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

**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.

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

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

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

**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.

**J. Long-term Obligations (continued)**

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.

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

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 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, 2016 was \$4,480,596.

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

**K. Deferred Outflows/Inflows of Resources (continued)**

- 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 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. 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 deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining 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. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2016 was \$10,012,933.

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 and state aid 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 amount of deferred inflows of resources reported in the governmental funds at June 30, 2016 was \$7,389,519.

Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. These pension related deferred inflows 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. The District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$1,826,492.

**L. Pensions**

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

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

**M. Fund Equity**

The Districts reports fund balances in accordance with 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, 2016, 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, 2016, were entirely covered by FDIC insurance and pledged securities held by the District's agent in the name of the District.

**Note 2 - Deposits and Investments (continued)**

**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, 2016, the District invested in the State of Texas Texpool, the Local Government Investment Cooperative (Logic), Lone Star and MBIA Texas Class Investment Pool.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

TexPool uses amortized cost to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

Lone Star Investment Pool (LSIP) is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. LSIP is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss. The District's amortized cost in LSIP is the same as the value of the pool shares.

The Local Government Investment Cooperative (Logic) is a "Constant Dollar" net asset value poll and is administered by First Southwest and JP Morgan Chase. Logic maintains three primary goals for investing public funds; safety, liquidity and yield. The District's amortized cost in Logic is the same as the value of the pool shares.

**Note 2 - Deposits and Investments (continued)**

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. The District's amortized cost in the MBIA Texas Class Pool is the same as the value of the pool shares.

**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	\$ 13,675,864	N/A
<i>Investments</i>		
Certificates of deposit	2,005,120	385
Local Government Investment Pools		
MBIA Texas CLASS	276,536	56
Logic	104,312	38
TexPool	117,467	46
	<u>498,315</u>	
Mutual Funds		
Lone Star	41,030,854	48
Investment Securities		
Commercial Paper	3,982,817	248
Federal Home Loan Bank	5,435,882	237
Investment Deposit Portal	10,108,459	N/A
Municipal Bonds	6,164,815	397
Federal Farm Credit Bank	4,448,843	463
Federal National Mortgage Association	369,316	477
Federal Home Loan Mortgage Corp.	6,019,672	248
Federal Agricultural Mortgage Corp.	4,015,756	413
US Treasury	107,505	N/A
	<u>40,653,065</u>	
<b>Total Investments</b>	<u>84,187,354</u>	130
<b>Total Governmental Activities</b>	<u>97,863,218</u>	
<b>Fiduciary Funds</b>		
Cash and Deposits	456,605	N/A
Mutual Funds - Lone Star	378,239	48
<b>Total Fiduciary Funds</b>	<u>834,844</u>	
<b>Total</b>	<u>\$ 98,698,062</u>	

**Note 2 - Deposits and Investments (continued)**

**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.

At June 30, 2016, the District's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

	Carrying Value	Investment Maturity in Years	
		Less than 1	1-5
Certificates of Deposit	\$ 2,005,120		\$ 2,005,120
Local Government Investment Pools:			
MBIA Texas CLASS	276,536	276,536	
Logic	104,312	104,312	
TexPool	117,467	117,467	
Mutual Funds - Lone Star	41,409,093	41,409,093	
Investment Securities:			
Commercial Paper	3,982,817	3,982,817	
Federal Home Loan Bank	5,435,882	5,435,882	
Investment Deposit Portal	10,108,459	10,108,459	
Municipal Bonds	6,164,815	3,764,967	2,399,848
Federal Farm Credit Bank	4,448,843		4,448,843
Federal National Mortgage Association	369,316		369,316
Federal Home Loan Mortgage Corp.	6,019,672	6,019,672	
Federal Agricultural Mortgage Corp.	4,015,756		4,015,756
US Treasury	107,505	107,505	
	<u>\$ 84,565,593</u>	<u>\$ 71,326,710</u>	<u>\$ 13,238,883</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, 2016, 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, 2016, was \$249,841.

**Note 2 - Deposits and Investments (continued)**

The investments securities are reported by the District at fair value, while the investment pools are reported at amortized cost.

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, MBIA Texas Class, Logic, TexPool and Lone Star do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The four pools do not impose any liquidity fees or redemption gates. The District’s U.S. Agency Securities are reported at fair value using Level 2 inputs.

**Note 3 - Receivables**

Receivables as of June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Debt Service Funds</b>	<b>Other Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Property Taxes	\$ 6,073,946	\$ 1,415,727	\$	\$	\$	\$ 7,489,673
Due from other governments	5,699,455	292,230	1,763,037			7,754,722
Other				837	5,166	6,003
Gross Receivables	11,773,401	1,707,957	1,763,037	837	5,166	15,250,398
Less allowance for doubtful accounts	(1,329,146)	(221,132)				(1,550,278)
<b>Net Total Receivables</b>	<b>\$ 10,444,255</b>	<b>\$ 1,486,825</b>	<b>\$ 1,763,037</b>	<b>\$ 837</b>	<b>\$ 5,166</b>	<b>\$ 13,700,120</b>

**Unearned Revenue**

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 \$33,029.

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 01, 2015</u>	<u>Additions</u>	<u>(Retirements)</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets, not being depreciated				
Land	\$ 16,380,197	\$	\$ (30,371)	\$ 16,349,826
Construction in progress	30,015,045	3,835,698	(33,850,743)	
<b>Total Capital assets, not being depreciated</b>	<u>46,395,242</u>	<u>3,835,698</u>	<u>(33,881,114)</u>	<u>16,349,826</u>
Capital assets, being depreciated				
Buildings and improvements	354,191,689	232,893	33,850,743	388,275,325
Furniture and equipment	29,548,663	2,342,884	(771,850)	31,119,697
<b>Total Capital assets, being depreciated</b>	<u>383,740,352</u>	<u>2,575,777</u>	<u>33,078,893</u>	<u>419,395,022</u>
Less accumulated depreciation for:				
Buildings and improvements	(99,173,687)	(10,671,578)		(109,845,265)
Furniture and Equipment	(18,575,587)	(1,913,218)	694,179	(19,794,626)
<b>Total Accumulated depreciation</b>	<u>(117,749,274)</u>	<u>(12,584,796)</u>	<u>694,179</u>	<u>(129,639,891)</u>
<b>Governmental Capital Assets</b>	<u>\$ 312,386,320</u>	<u>\$ (6,173,321)</u>	<u>\$ (108,042)</u>	<u>\$ 306,104,957</u>

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

<u>Function</u>	<u>Depreciation</u> <u>Expense</u>
Instruction	\$ 8,061,685
Instructional resources and media services	334,750
Guidance, counseling and evaluation services	35,103
Health services	26,775
Student transportation	607,953
Food Services	728,211
Extracurricular activities	61,326
General administration	2,034,401
Plant maintenance and operations	627,072
Security and monitoring services	60,338
Data processing services	7,182
	<u>\$ 12,584,796</u>

The District had no active construction projects as of June 30, 2016.

**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, 2016, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
<b>Governmental Activities:</b>			
General Fund	\$ 9,343,085	\$ 5,884,362	\$ 3,458,723
Debt Service	2,280,543	674,943	1,605,600
Capital Projects	1,073,000	2,553,768	(1,480,768)
Nonmajor Governmental Funds	119,512	886,860	(767,348)
Proprietary Funds	26,837	2,842,561	(2,815,724)
<b>Total Governmental Activities</b>	<u>12,842,977</u>	<u>12,842,494</u>	483
Fiduciary Funds		483	(483)
<b>Total</b>	<u>\$ 12,842,977</u>	<u>\$ 12,842,977</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, 2016:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 4,000,000
Internal Service Fund	Capital Projects Fund	3,000,000
		<u>\$ 7,000,000</u>

Interfund transfers were made from the general fund and the internal service fund to the capital projects fund for capital outlay.

**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, 2015</u>	<u>Additions</u>	<u>Deductions - Payments to Participants</u>	<u>Balance June 30, 2016</u>
Compensated absences payable	<u>\$ 123,291</u>	<u>\$</u>	<u>\$ (23,730)</u>	<u>\$ 99,561</u>

**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, 2016, the legal debt margin amounted to \$525,469,660.

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 240,070,000		\$ (15,370,000)	\$ 224,700,000	\$ 14,795,000
Premiums/discounts	24,706,763		(2,194,442)	22,512,321	
Compensated absences payable	123,291		(23,730)	99,561	36,657
	<u>\$ 264,900,054</u>	<u>\$</u>	<u>\$ (17,588,172)</u>	<u>\$ 247,311,882</u>	<u>\$ 14,831,657</u>

**General Obligation Bonds**

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

General obligation bonds currently outstanding are as follows:

<u>Issue</u>	<u>Original</u> <u>issuance</u> <u>amount</u>	<u>Interest Rate</u> <u>(%)</u>	<u>Maturity Date</u>	<u>Debt</u> <u>Outstanding</u>
Limited Tax School Building Bonds, Series 2007	35,200,000	3.25% to 5.25%	2027	\$ 12,335,000
Limited Tax School Building Bonds, Series 2008	54,595,000	3.00% to 4.65%	2028	3,045,000
Limited Tax Refunding Bonds, Series 2009	13,800,000	2.00% to 4.00%	2020	10,595,000
Limited Tax School Building Bonds, Series 2010A	6,310,000	2.00% to 5.00%	2020	4,290,000
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	50,795,000
Limited Tax School Building and Refunding Bonds, Series 2013	35,600,000	2.00 to 5.00%	2030	47,535,000
Limited Tax School Building and Refunding Bonds, Series 2013	56,465,000	2.00 to 5.00%	2030	12,935,000
Limited Tax Refunding Bonds, Series 2014	12,180,000	2.00 to 5.00%	2030	10,940,000
Limited Tax Refunding Bonds, Series 2015	37,055,000	2.00 to 5.00%	2029	36,630,000
				<u>\$ 224,700,000</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>	
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	17,015,000	7,471,901	24,486,901	
2022 - 2026	82,155,000	26,392,879	108,547,879	
2027 - 2030	63,395,000	7,848,554	71,243,554	
	<u>\$ 224,700,000</u>	<u>\$ 77,727,752</u>	<u>\$ 302,427,752</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, 2016, the District received \$582,893 in such subsidies.

**Prior Years’ Refunding of Long-Term Debt**

In prior years, the District defeased, certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District’s financial statements. At June 30, 2016, \$53,980,000 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:

	<b>General Fund</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 92,903,508	\$ 24,039,314	\$	\$	\$ 116,942,822
Penalties, interest and other tax related revenue	319,554	81,078			400,632
Investment Income	189,256	7,575	24,271	8,198	229,300
Co-curricular student activities	286,049			533,553	819,602
Tuition and fees	147,634				147,634
SSA - Member Districts				11,346,866	11,346,866
Food Sales				2,916,951	2,916,951
Other	478,614			226,579	705,193
	<u>\$ 94,324,615</u>	<u>\$ 24,127,967</u>	<u>\$ 24,271</u>	<u>\$ 15,032,147</u>	<u>\$ 133,509,000</u>

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

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
Summer School LEP	84.369A	\$ 5,565
School Health and Related Service (SHARS)	N/A	1,148,896
		<u>\$ 1,154,461</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, 2016. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2016, amounted to \$369,514.

**Note 11 - Defined Benefit Pension Plans**

**Plan Description**

The District participates in a cost-sharing multi-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.

**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.

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

**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 in (A) above.

**Contributions**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<b>Contribution Rates</b>	
	<b>Plan Fiscal Year</b>	
	<b>2015</b>	<b>2016</b>
Member (Employee)	6.70%	7.20%
Non-Employer Contributing Entity (State)	6.80%	6.80%
District	6.80%	6.80%

**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 contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

	<b>Measurement Year (2015)</b>	<b>Fiscal Year (2016)</b>
	<b>Contributions Required and Made</b>	<b>TRS Contributions</b>
Member (Employee)	5,126,339	5,969,757
Non-Employer Contributing Entity (State)	4,111,561	4,290,612
District	2,061,192	2,401,837

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, there are two additional surcharges an employer is subject to.

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

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

**Actuarial Assumptions**

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

**Discount Rate**

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

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

**Discount Rate (continued)**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 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%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability..

	<b>Discount Rate</b>		
	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
District's proportional share of the net pension liability	\$ 38,553,457	\$ 24,606,315	\$ 12,989,212

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

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

At June 30, 2016, the District reported a liability of \$24,606,315 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 proportion of the net pension liability	0.0696%
District's proportionate share of the net pension liability	\$ 24,606,315
State's proportionate share of the net pension liability associated with the District	49,068,900
	<u>\$ 73,675,215</u>

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0696% which was an increase from its proportion measured as of August 31, 2014 of 0.0516%.

**Changes since the Prior Actuarial Valuation**

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with this valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

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

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$3,670,615 as well as revenue of \$6,991,529 representing pension expense incurred by the State on behalf of the District.

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

At June 30, 2016, 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	\$ 4,119,834	\$ (945,643)
Changes of assumptions	744,616	(877,846)
Net difference between projected and actual earnings on pension plan investments	177,162	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,902,554	(3,003)
District contributions subsequent to the measurement date	<u>2,068,767</u>	
Total	<u>\$ 10,012,933</u>	<u>\$ (1,826,492)</u>

The \$2,068,767 reported as 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 year ended June 30, 2017. 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>	
2017	\$ (1,037,502)
2018	(1,037,502)
2019	(1,037,502)
2020	(2,089,980)
2021	(563,943)
2022	<u>(351,245)</u>
	<u>\$ (6,117,674)</u>

**Note 12 - Retiree Health Plan**

**Plan Description**

*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-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

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

*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 contribution rate was 1.00% of public school payroll for the period September 2013 through June 2015, 0.50% for the period September 2012 through August 2013, and 1.00% for the period July 2012 through August 2012. Active public school employee contribution rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014, and 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.00%. The District contributed 100% of the annual required contribution for fiscal year 2016, 2015, and 2014.

Contributions made by the State, District and staff members to TRS-Care for the years ended June 30, 2016, 2015 and 2014 are as follows:

<b>Fiscal Year</b>	<b>State TRS Care Contributions Made on Behalf Of the District</b>	<b>District Required Contributions To TRS Care</b>	<b>Staff Members' Contributions To TRS Care</b>	<b>District's Annual Covered Payroll</b>
2016	\$ 803,533	\$ 579,676	\$ 544,901	\$ 83,830,839
2015	733,313	530,111	497,712	76,571,211
2014	678,011	458,708	504,150	77,561,287

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, 2016, June 30, 2015 and June 30, 2014, the subsidy payments received by TRS-Care on behalf of the District were \$326,221, \$224,777, and \$208,257, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

**Note 13 - Risk Management**

**Property/Liability**

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

**Health Insurance**

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

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

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2016	\$	\$ 18,673	\$ 18,673	\$
2015		8,337	8,337	
2014		63,492	63,492	

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.

**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.

**Note 13 - Risk Management (continued)**

**Workers' Compensation (continued)**

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>
2016	\$ 283,346	\$ 218,342	\$ 333,057	\$ 168,631
2015	263,633	406,184	386,471	283,346
2014	269,168	286,011	291,546	263,633

**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

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	\$ 97,231
5800 State revenue distributed by TEA	20,000
	<u>\$ 117,231</u>
Expenditures	
6100 Payroll costs	\$ 117,231
	<u>\$ 117,231</u>

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

**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	\$ 11,249,635	
	<u>\$ 11,249,635</u>	
Expenditures		
6200 Professional and contracted services	\$ 11,249,635	
	<u>\$ 11,249,635</u>	

Of this total, \$1,003,951, or approximately 6.2 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, 2016.

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

During the year ended June 30, 2016, 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit G-1*

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

*For the Year Ended June 30, 2016*

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
5700	Local revenues	\$ 97,972,166	\$ 98,014,192	\$ 94,324,615	\$ (3,689,577)
5800	State program revenues	17,722,000	17,722,000	18,388,362	666,362
5900	Federal program revenues	1,482,500	1,482,500	1,154,461	(328,039)
<b>5020</b>	<b>Total revenues</b>	<u>117,176,666</u>	<u>117,218,692</u>	<u>113,867,438</u>	<u>(3,351,254)</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	65,268,943	65,658,098	64,383,817	1,274,281
0012	Instruction resources and media services	1,323,025	1,329,824	1,170,828	158,996
0013	Curriculum and instructional staff	1,984,190	2,012,824	2,007,063	5,761
0021	Instructional leadership	1,089,829	1,304,829	1,299,311	5,518
0023	School leadership	6,797,863	6,796,043	6,688,313	107,730
0031	Guidance, counseling and evaluation services	5,557,382	5,559,882	5,528,152	31,730
0032	Social work services	100,437	100,437	43,534	56,903
0033	Health services	1,098,050	1,180,050	1,080,783	99,267
0034	Student transportation	3,969,960	3,969,557	3,624,220	345,337
0036	Extracurricular activities	3,438,053	3,465,787	2,225,095	1,240,692
0041	General administration	3,587,332	3,667,977	3,411,834	256,143
0051	Facilities maintenance and operations	14,451,322	14,576,967	14,571,254	5,713
0052	Security and monitoring services	1,259,821	1,247,721	1,096,757	150,964
0053	Data processing services	2,351,150	2,357,428	2,214,444	142,984
0061	Community services	142,638	142,638	94,006	48,632
<b>Capital Outlay:</b>					
0081	Facilities acquisition and construction				
<b>Intergovernmental:</b>					
0091	Contracted instructional services	2,950,000	2,950,000	2,746,443	203,557
0092	Incremental costs related to WADA	10,000	10,000		10,000
0093	Payments related to shared services arrangements	591,671	493,721	493,667	54
0099	Other intergovernmental charges	1,205,000	1,205,000	964,634	240,366
<b>6030</b>	<b>Total Expenditures</b>	<u>117,176,666</u>	<u>118,028,783</u>	<u>113,644,155</u>	<u>4,384,628</u>
1100	Excess (deficiency) of revenues over expenditures		(810,091)	223,283	1,033,374
<b>Other Financing Sources (Uses)</b>					
7912	Sale of property			171,237	171,237
8911	Transfers out			(4,000,000)	(4,000,000)
8949	Other uses - property tax refunds			(1,490,449)	(1,490,449)
<b>7080</b>	<b>Total other financing sources and uses</b>			<u>(5,319,212)</u>	<u>(5,319,212)</u>
1200	Net change in fund balances		(810,091)	(5,095,929)	(4,285,838)
<b>0100</b>	<b>Fund balances - beginning</b>	<u>80,629,913</u>	<u>80,629,913</u>	<u>80,629,913</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 80,629,913</u>	<u>\$ 79,819,822</u>	<u>\$ 75,533,984</u>	<u>\$ (4,285,838)</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, 2016. During the year ended June 30, 2016, the Board of Trustees approved budget amendments increasing General Fund expenditures in the amount of \$852,117.

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, 2015. 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.

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

**Teacher Retirement System of Texas  
Last Two Measurement Years (1)**

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0696%	0.0516%
District's proportionate share of the net pension liability	\$ 24,606,315	\$ 13,774,044
State's proportionate share of the net pension liability associated with the District	49,068,900	42,442,667
Total	<u>\$ 73,675,215</u>	<u>\$ 56,216,711</u>
District's covered-employee payroll (for Measurement Year)	\$ 76,516,633	\$ 77,730,328
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	32.2%	17.7%
Plan fiduciary net position as a percentage of the total pension liability *	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	91.94%	72.32%

\* Per TRS' CAFR

Note (1): Ten years of data should be presented in this schedule but data is unavailable prior to 2014.  
Net pension liability and related ratios will be presented prospectively as data becomes available.

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

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

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

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

*Exhibit G-4*

**Teachers Retirement System of Texas**  
**Last Three Fiscal Years (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 2,401,836	\$ 1,925,355	\$ 1,290,318
Contributions in relation to the contractual required contributions contribution deficiency (excess)	<u>2,401,836</u>	<u>1,925,355</u>	<u>1,290,318</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 83,830,839	\$ 76,571,211	\$ 77,561,287
Contributions as a percentage of covered employee payroll	2.87%	2.51%	1.66%

Note (1): Ten years of data should be presented in this schedule but data is unavailable prior to 2014.

**Notes to Required Supplementary Information**

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

**Changes of Assumptions**

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

**Changes of Benefit Terms**

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

**OTHER SUPPLEMENTARY INFORMATION**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*COMBINING BALANCE SHEET*

*ALL NONMAJOR GOVERNMENTAL FUNDS*

*June 30, 2016*

<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	4,709	267,661
1260	Due from other funds		570,275
1310	Inventories, at cost		
1410	Prepaid items		2,175
<b>1000</b>	<b>Total Assets</b>	<u>\$ 4,709</u>	<u>\$ 269,836</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	Accounts payable	\$	\$ 6,045
2160	Accrued wages payable	2,993	111,505
2170	Due to other funds	1,716	152,286
2180	Due to other governments		309,308
2300	Unearned revenues		
<b>2000</b>	<b>Total Liabilities</b>	<u>4,709</u>	<u>269,836</u>
<b>Fund Balance:</b>			
<b>Non-Spendable:</b>			
3410	Inventories		
3430	Prepaid items		2,175
<b>Restricted:</b>			
3450	Federal/State funds grant restrictions		
<b>Committed:</b>			
3545	Other purposes		
3600	Unassigned		(2,175)
<b>3000</b>	<b>Total Fund Balances</b>		<u>(2,175)</u>
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,709</u>	<u>\$ 269,836</u>

225	240	244	255
<b>IDEA B - Preschool</b>	<b>National School Breakfast and Lunch</b>	<b>Vocational Ed. - Basic</b>	<b>ESEA Title II, A - Training and Recruiting</b>
\$	\$ 9,935	\$	\$
12,430	413,501		47,205
	105,391		
	42,955		
	2,846		
<u>\$ 12,430</u>	<u>\$ 574,628</u>	<u>\$</u>	<u>\$ 47,205</u>
\$	\$ 49,712	\$	\$
8,193	424,506		38,340
4,237			8,865
	32		
	7,243		
<u>12,430</u>	<u>481,493</u>	<u>\$</u>	<u>47,205</u>
	42,955		
	2,846		
	47,334		
	93,135		
<u>\$ 12,430</u>	<u>\$ 574,628</u>	<u>\$</u>	<u>\$ 47,205</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

Data Control Codes		263	397	410
	<b>ESEA Title III, A - English Lang. Acquisition</b>	<b>Advanced Placement Incentive</b>	<b>Instructional Materials Allotment</b>	
	<b>Assets</b>			
1110	Cash and temporary investments	\$	\$ 15,815	\$
	<b>Receivables:</b>			
1240	Receivables from other governments	42,606		404,110
1260	Due from other funds			
1310	Inventories, at cost			
1410	Prepaid items			
<b>1000</b>	<b>Total Assets</b>	<u>\$ 42,606</u>	<u>\$ 15,815</u>	<u>\$ 404,110</u>
	<b>Liabilities and Fund Balances</b>			
	<b>Liabilities:</b>			
	<b>Current Liabilities:</b>			
2110	Accounts payable	\$ 4,560	\$	\$ 324
2160	Accrued wages payable	5,375		26,498
2170	Due to other funds	32,671		377,288
2180	Due to other governments			
2300	Unearned revenues			
<b>2000</b>	<b>Total Liabilities</b>	<u>42,606</u>	<u>15,815</u>	<u>404,110</u>
	<b>Fund Balance:</b>			
	<b>Non-Spendable:</b>			
3410	Inventories			
3430	Prepaid items			
	<b>Restricted:</b>			
3450	Federal/State funds grant restrictions		15,815	
	<b>Committed:</b>			
3545	Other purposes			
	<b>Unassigned</b>			
<b>3000</b>	<b>Total Fund Balances</b>	<u>42,606</u>	<u>15,815</u>	<u>404,110</u>
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 42,606</u>	<u>\$ 15,815</u>	<u>\$ 404,110</u>

427	434	459	461
<b>Texas Women's University Reading Recovery</b>	<b>SSA - Visually Impaired</b>	<b>SSA - Energy for Schools</b>	<b>Campus Activity Fund</b>
\$ 1,698	\$ 17,932	\$ 6,912	\$ 455,069
	540		
	571		
			15
<u>\$ 1,698</u>	<u>\$ 19,043</u>	<u>\$ 6,912</u>	<u>\$ 455,084</u>
\$	\$ 19,043	\$	\$ 381
			255
	<u>19,043</u>		<u>636</u>
1,698			15
		6,912	454,448
			(15)
<u>1,698</u>	<u></u>	<u>6,912</u>	<u>454,448</u>
<u>\$ 1,698</u>	<u>\$ 19,043</u>	<u>\$ 6,912</u>	<u>\$ 455,084</u>

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**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

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

**481**                      **483**

<b>Data Control Codes</b>	<b>Deer Park Education Foundation</b>	<b>Outdoor Learning Centers</b>	<b>Total Nonmajor Governmental Funds</b>	
<b>Assets</b>				
1110	Cash and temporary investments	\$ 22,726	\$ 1,704	\$ 531,791
<b>Receivables:</b>				
1240	Receivables from other governments			1,763,037
1260	Due from other funds	13,550		119,512
1310	Inventories, at cost			42,955
1410	Prepaid items			5,036
<b>1000</b>	<b>Total Assets</b>	<u>\$ 36,276</u>	<u>\$ 1,704</u>	<u>\$ 2,462,331</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$ 35,907	\$	\$ 98,279
2160	Accrued wages payable			896,070
2170	Due to other funds	233		886,859
2180	Due to other governments			32
2300	Unearned revenues			7,243
<b>2000</b>	<b>Total Liabilities</b>	<u>36,140</u>		<u>1,888,483</u>
<b>Fund Balance:</b>				
<b>Non-Spendable:</b>				
3410	Inventories			42,955
3430	Prepaid items			5,036
<b>Restricted:</b>				
3450	Federal/State funds grant restrictions	136	1,704	66,687
<b>Committed:</b>				
3545	Other purposes			461,360
<b>Unassigned</b>				
				(2,190)
<b>3000</b>	<b>Total Fund Balances</b>	<u>136</u>	<u>1,704</u>	<u>573,848</u>
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$ 36,276</u>	<u>\$ 1,704</u>	<u>\$ 2,462,331</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, 2016*

<b>Data Control Codes</b>		<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	26,598	1,387,332	2,134,293
<b>5020</b>	<b>Total Revenues</b>	<u>26,598</u>	<u>1,387,332</u>	<u>2,134,293</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	2,806	1,103,737	1,834,614
0012	Instruction resources and media services		14,242	
0013	Curriculum and instructional staff development		184,473	
0023	School leadership		16,569	
0031	Guidance, counseling and evaluation services			299,679
0035	Food service			
0051	Facilities maintenance and operations			
0053	Data processing services			
0061	Community services	23,792	68,311	
<b>6030</b>	<b>Total Expenditures</b>	<u>26,598</u>	<u>1,387,332</u>	<u>2,134,293</u>
1200	Net change in fund balances			
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>	<u>          </u>	<u>          </u>	<u>          </u>
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>

225	240	244	255
<b>IDEA B - Preschool</b>	<b>National School Breakfast and Lunch</b>	<b>Vocational Ed. - Basic</b>	<b>ESEA Title II, A - Training and Recruiting</b>
\$	\$ 2,921,601	\$	\$
	28,594		
<u>52,223</u>	<u>3,367,478</u>	<u>95,325</u>	<u>268,861</u>
<u>52,223</u>	<u>6,317,673</u>	<u>95,325</u>	<u>268,861</u>
52,223		95,325	262,731
			6,130
	6,723,921		
	2,325		
<u>52,223</u>	<u>6,726,246</u>	<u>95,325</u>	<u>268,861</u>
	(408,573)		
	501,708		
<u>\$</u>	<u>\$ 93,135</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, 2016*

<b>Data Control Codes</b>		<b>263</b>	<b>397</b>	<b>410</b>
		<b>ESEA Title III, A - English Lang. Acquisition</b>	<b>Advanced Placement Incentive</b>	<b>Instructional Materials Allotment</b>
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues		4,050	2,030,940
5900	Federal program revenues	162,514		
<b>5020</b>	<b>Total Revenues</b>	<u>162,514</u>	<u>4,050</u>	<u>2,030,940</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	109,780		1,803,650
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	52,734		195,571
0023	School leadership			
0031	Guidance, counseling and evaluation services			
0035	Food service			
0051	Facilities maintenance and operations			
0053	Data processing services			41,349
0061	Community services			
<b>6030</b>	<b>Total Expenditures</b>	<u>162,514</u>	<u></u>	<u>2,040,570</u>
1200	Net change in fund balances		4,050	(9,630)
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>	<u></u>	<u>11,765</u>	<u>9,630</u>
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$ 15,815</u>	<u>\$</u>

427	434	459	461
<b>Texas Women's University Reading Recovery</b>	<b>SSA - Visually Impaired</b>	<b>SSA - Energy for Schools</b>	<b>Campus Activity Fund</b>
\$ 1,698	\$ 97,231 20,000	\$ 11,249,635	\$ 537,101
<u>1,698</u>	<u>117,231</u>	<u>11,249,635</u>	<u>537,101</u>
	121,879		375,142 112,927 16,935 13,801
		11,249,635	
	<u>121,879</u>	<u>11,249,635</u>	<u>518,805</u>
1,698	(4,648)		18,296
	<u>4,648</u>	<u>6,912</u>	<u>436,152</u>
<u>\$ 1,698</u>	<u>\$</u>	<u>\$ 6,912</u>	<u>\$ 454,448</u>

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**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

*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	\$ 226,579	\$	\$ 15,032,147
5800	State program revenues			2,085,282
5900	Federal program revenues			7,494,624
<b>5020</b>	<b>Total Revenues</b>	<u>226,579</u>		<u>24,612,053</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	226,443		5,988,330
0012	Instruction resources and media services			127,169
0013	Curriculum and instructional staff development			455,843
0023	School leadership			30,370
0031	Guidance, counseling and evaluation services			299,679
0035	Food service			6,723,921
0051	Facilities maintenance and operations			11,251,960
0053	Data processing services			41,349
0061	Community services			92,103
<b>6030</b>	<b>Total Expenditures</b>	<u>226,443</u>		<u>25,010,724</u>
1200	Net change in fund balances	136		(398,671)
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>		<u>1,704</u>	<u>972,519</u>
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$ 136</u>	<u>\$ 1,704</u>	<u>\$ 573,848</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit H-3*

*COMBINING STATEMENTS OF NET POSITION*

*INTERNAL SERVICE FUNDS*

*June 30, 2016*

<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>Assets</b>					
<b>Current assets:</b>					
1110	\$ 4,057,303	\$ 1,510,454	\$ 70,777	\$ 5,501	\$ 5,644,035
<b>Receivables:</b>					
1260	25,983	770	84		26,837
1290	510	327			837
<b>1000</b>	<b>4,083,796</b>	<b>1,511,551</b>	<b>70,861</b>	<b>5,501</b>	<b>5,671,709</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
2110				1,787	1,787
2150	18,770				18,770
2160			44,339		44,339
2170	2,840,944	1,361		256	2,842,561
2200		168,631			168,631
<b>2000</b>	<b>2,859,714</b>	<b>169,992</b>	<b>44,339</b>	<b>2,043</b>	<b>3,076,088</b>
<b>Net Position</b>					
3900	1,224,082	1,341,559	26,522	3,458	2,595,621
<b>3000</b>	<b>\$ 1,224,082</b>	<b>\$ 1,341,559</b>	<b>\$ 26,522</b>	<b>\$ 3,458</b>	<b>\$ 2,595,621</b>

**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, 2016*

<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	\$ 227,025	\$ 771,976	\$ 271,545	\$ 113,301	\$ 1,383,847
<b>5020 Total Operating Revenues</b>	<u>227,025</u>	<u>771,976</u>	<u>271,545</u>	<u>113,301</u>	<u>1,383,847</u>
<b>Operating Expenses</b>					
6100 Payroll costs	167,385	55,311	295,919	37,194	555,809
6200 Purchased and contracted services	40,817			58,426	99,243
6300 Supplies and materials			7,905	7,767	15,672
6400 Claims expense and other operating expenses	19,277	219,093		28,242	266,612
<b>6030 Total Operating Expenses</b>	<u>227,479</u>	<u>274,404</u>	<u>303,824</u>	<u>131,629</u>	<u>937,336</u>
1200 Operating Income (Loss)	<u>(454)</u>	<u>497,572</u>	<u>(32,279)</u>	<u>(18,328)</u>	<u>446,511</u>
<b>Non-Operating Revenues (Expenses)</b>					
7020 Earnings - temporary deposits and investments	15,492	4,962			20,454
<b>Total Nonoperating Revenues</b>	<u>15,492</u>	<u>4,962</u>			<u>20,454</u>
Income (Loss) before Transfers	15,038	502,534	(32,279)	(18,328)	466,965
<b>Transfers</b>					
8911 Transfers out	<u>(2,000,000)</u>	<u>(1,000,000)</u>			<u>(3,000,000)</u>
1200 Change in Net Position	(1,984,962)	(497,466)	(32,279)	(18,328)	(2,533,035)
<b>0100 Net Position - July 1 (Beginning)</b>	<u>3,209,044</u>	<u>1,839,025</u>	<u>58,801</u>	<u>21,786</u>	<u>5,128,656</u>
<b>3300 Net Position - June 30 (Ending)</b>	<u>\$ 1,224,082</u>	<u>\$ 1,341,559</u>	<u>\$ 26,522</u>	<u>\$ 3,458</u>	<u>\$ 2,595,621</u>

## DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

## COMBINING STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2016

	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	\$ 227,768	\$ 772,289	\$ 271,545	\$ 113,301	\$ 1,384,903
Cash received from gifts and bequests					
Cash receipts from quasi-external operating activities with other funds					
Cash payments for insurance claims	(18,673)	(333,057)			(351,730)
Cash payments to suppliers for goods and services	(40,817)		(7,905)	(94,266)	(142,988)
Cash payments to employees	(167,386)	(55,311)	(290,075)	(37,194)	(549,966)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>892</u>	<u>383,921</u>	<u>(26,435)</u>	<u>(18,159)</u>	<u>340,219</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Advances to other funds	(2,000,000)	(1,000,000)			(3,000,000)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>(2,000,000)</u>	<u>(1,000,000)</u>			<u>(3,000,000)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	15,492	4,962			20,454
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>15,492</u>	<u>4,962</u>			<u>20,454</u>
Net Decrease in Cash and Cash Equivalents	(1,983,616)	(611,117)	(26,435)	(18,159)	(2,639,327)
Cash and Cash Equivalents at Beginning of Year	6,040,919	2,121,571	97,212	23,660	8,283,362
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 4,057,303</u>	<u>\$ 1,510,454</u>	<u>\$ 70,777</u>	<u>\$ 5,501</u>	<u>\$ 5,644,035</u>
<b>Reconciliation to Balance Sheet</b>					
Cash and Cash Equivalents Per Cash Flow	\$ 4,057,303	\$ 1,510,454	\$ 70,777	\$ 5,501	\$ 5,644,035
Cash and Cash Equivalents per Balance Sheet	<u>\$ 4,057,303</u>	<u>\$ 1,510,454</u>	<u>\$ 70,777</u>	<u>\$ 5,501</u>	<u>\$ 5,644,035</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ (454)	\$ 497,572	\$ (32,279)	\$ (18,328)	\$ 446,511
<b>Change in Assets and Liabilities:</b>					
Decrease (increase) in Interfund Receivables			(84)		(84)
Decrease (increase) in Other Receivables	743	313			1,056
Decrease (increase) in Accounts Payable				(87)	(87)
Increase (decrease) in Interfund Payable	603	751	(2,904)	256	(1,294)
Increase (decrease) in Accrued Wages Payable			8,832		8,832
Increase (decrease) in Claims Payable		(114,715)			(114,715)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 892</u>	<u>\$ 383,921</u>	<u>\$ (26,435)</u>	<u>\$ (18,159)</u>	<u>\$ 340,219</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

*Exhibit H-6*

**COMBINING STATEMENT OF FIDUCIARY NET POSITION**

June 30, 2016

<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	\$ 112,774	\$	\$ 112,774
	<b>Receivables:</b>			
1290	Other receivables		5,166	5,166
<b>1000</b>	<b>Total Assets</b>	112,774	5,166	117,940
	<b>Liabilities</b>			
2110	Accounts payable	6,651	40	6,691
<b>2000</b>	<b>Total Liabilities</b>	6,651	40	6,691
	<b>Net Position</b>			
3800	Restricted	\$ 106,123	\$ 5,126	\$ 111,249

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
*For the Year Ended June 30, 2016*

*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	\$ 29,896	\$	\$ 29,896
<b>Total additions</b>	<u>29,896</u>		<u>29,896</u>
 <b>Deductions</b>			
Non-operating expenses	<u>23,882</u>		<u>23,882</u>
<b>Total deductions</b>	<u>23,882</u>		<u>23,882</u>
 Change in net position	6,014		6,014
 <b>Net position beginning of year</b>	<u>100,109</u>	<u>5,126</u>	<u>105,235</u>
 <b>Net position end of year</b>	<u>\$ 106,123</u>	<u>\$ 5,126</u>	<u>\$ 111,249</u>

## **REQUIRED TEA SCHEDULES**

**DEER PARK INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended June 30, 2016*

<b>Last Ten Fiscal Years</b>	<b>1</b>		<b>2</b>	<b>3</b>	<b>10</b>
	<b>Tax Rates</b>		<b>Net Assessed/Appraised Value For School Tax Purposes</b>	<b>Beginning Balance 7/01/2015</b>	
	<b>Maintenance</b>	<b>Debt Service</b>			
2007 and prior	Various	Various	Various	\$	497,580
2008	1.106700	0.210950	7,270,178,272		59,026
2009	1.106700	0.230000	7,519,036,732		98,258
2010	1.106700	0.260000	7,002,985,805		131,157
2011	1.106700	0.290000	6,487,707,562		101,056
2012	1.106700	0.290000	6,762,334,288		120,967
2013	1.236700	0.290000	7,105,010,873		422,064
2014	1.236700	0.320000	7,427,867,476		1,218,229
2015	1.236700	0.320000	7,632,051,262		1,095,748
2016	1.236700	0.320000	7,667,554,057		
<b>1000 Totals</b>				<u>\$</u>	<u>3,744,085</u>

Penalty and interest receivable on taxes

**Total taxes receivable per Exhibit C-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 6/30/2016</b>
\$	\$ 2,348	\$ 447	\$ (19,794)	\$ 474,991
	1,408	268		57,350
	5,342	1,110		91,806
	5,477	1,287	(1,839)	122,554
	7,149	1,873	(3,364)	88,670
	(3,950)	(1,035)	(19,678)	106,274
	(306,414)	(71,853)	(617,013)	183,318
	(348,583)	(90,197)	(634,499)	1,022,510
	(225,290)	(58,295)	(1,060,560)	318,773
<u>119,360,814</u>	<u>92,551,757</u>	<u>23,948,057</u>		<u>2,861,000</u>
<u>\$ 119,360,814</u>	<u>\$ 91,689,244</u>	<u>\$ 23,731,662</u>	<u>\$ (2,356,747)</u>	5,327,246
				<u>2,162,427</u>
				<u>\$ 7,489,673</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**CHILD NUTRITION FUND**  
*For the Year Ended June 30, 2016*

*Exhibit J-4*

Data Control Codes		<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		<u>Original</u>	<u>Final</u>		
	<b>Revenues</b>				
5700	Local revenues	\$ 3,910,000	\$ 3,910,000	\$ 2,921,601	\$ (988,399)
5800	State program revenues	154,500	154,500	28,594	(125,906)
5900	Federal program revenues	3,292,176	3,292,176	3,367,478	75,302
<b>5020</b>	<b>Total Revenues</b>	<u>7,356,676</u>	<u>7,356,676</u>	<u>6,317,673</u>	<u>(1,039,003)</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
0035	Food services	7,370,967	7,370,967	6,723,921	647,046
0051	Facilities maintenance and operations	251,500	251,500	2,325	249,175
<b>6030</b>	<b>Total Expenditures</b>	<u>7,622,467</u>	<u>7,622,467</u>	<u>6,726,246</u>	<u>896,221</u>
1200	Net change in fund balances	(265,791)	(265,791)	(408,573)	(142,782)
<b>0100</b>	<b>Fund balances - beginning</b>	<u>501,708</u>	<u>501,708</u>	<u>501,708</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 235,917</u>	<u>\$ 235,917</u>	<u>\$ 93,135</u>	<u>\$ (142,782)</u>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
For the Year Ended June 30, 2016

Exhibit J-5

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 25,185,340	\$ 25,185,340	\$ 24,127,967	\$ (1,057,373)
5800	State program revenues			357,154	\$ 357,154
5900	Federal program revenues	569,660	569,660	582,893	13,233
<b>5020</b>	<b>Total Revenues</b>	<u>25,755,000</u>	<u>25,755,000</u>	<u>25,068,014</u>	<u>(686,986)</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
	<b>Debt Service:</b>				
0071	Principal on long-term debt	15,375,000	15,375,000	15,370,000	5,000
0072	Interest on long-term debt	10,350,000	10,350,000	10,284,758	65,242
0073	Bond issuance costs and fees	30,000	30,000	7,000	23,000
<b>6030</b>	<b>Total Expenditures</b>	<u>25,755,000</u>	<u>25,755,000</u>	<u>25,661,758</u>	<u>93,242</u>
1100	Excess (deficiency) of revenues over expenditures			(593,744)	(593,744)
	<b>Other Financing Sources (Uses)</b>				
8949	Other uses - property tax refunds			(373,751)	(373,751)
7080	<b>Total other financing sources and uses</b>			<u>(373,751)</u>	<u>(373,751)</u>
1200	Net change in fund balances			(967,495)	(967,495)
<b>0100</b>	<b>Fund balances - beginning</b>	<u>6,946,033</u>	<u>6,946,033</u>	<u>6,946,033</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 6,946,033</u>	<u>\$ 6,946,033</u>	<u>\$ 5,978,538</u>	<u>\$ (967,495)</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, 2016, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated November 14, 2016.

**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, flowing style.

Houston, Texas  
November 14, 2016

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GRANT GUIDANCE***

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 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, 2016. 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, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas  
November 14, 2016

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year ended June 30, 2016*

**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 2CFR 200.516(a)?	No

Identification of major programs

Name of Federal Program or Cluster CFDA Numbers

**U.S. Department of Education**

ESEA, Title I, Part A	84.010A
ESEA, Title II, Part A	84.367A

***Special Education Cluster***

IDEA B, Formula	84.027A
IDEA B, Preschool	84.173A

Dollar Threshold Considered Between Type A and Type B Federal Programs \$750,000

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, 2016*

**II. Financial Statement Findings**

None Reported

**III. Federal Awards Findings And Questioned Costs**

None reported

**IV. Status Of Prior Year Findings**

N/A

**V. Corrective Action Plan**

N/A

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2016*

*Exhibit K-1*

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
<b>U.S. Department of Education</b>				
<b>Passed Through Texas Education Agency:</b>				
15610101101908	<i>ESEA, Title I, Part A</i>	211	84.010A	\$ 132,052
16610101101908	<i>ESEA, Title I, Part A</i>	211	84.010A	1,255,280
<b><u>Special Education Cluster:</u></b>				
156600011019086000	<i>IDEA-B Formula</i>	224	84.027A	475
166600011019086000	<i>IDEA-B Formula</i>	224	84.027A	2,133,818
166610011019086000	<i>IDEA-B Preschool</i>	225	84.173A	52,223
<b>Total Special Education Cluster</b>				2,186,516
16420006101908	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	95,325
15694501101908	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	1,628
16694501101908	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	267,233
15671001101908	<i>ESEA Title III, Part A, LEP</i>	263	84.365A	65,161
16671001101908	<i>ESEA Title III, Part A, LEP</i>	263	84.365A	97,353
69551302	<i>Summer School LEP</i>	199	84.369A	5,565
<b>Total Passed Through Texas Education Agency</b>				4,106,113
<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	26,598
<b>Total Passed Through Region 10 Education Service Center</b>				26,598
<b>Total U.S. Department of Education</b>				4,132,711
<b>U.S. Department of Agriculture</b>				
<b><u>Child Nutrition Cluster</u></b>				
<b>Passed Through Texas Department of Agriculture:</b>				
518	Non Cash Assistance (Commodities): <i>National School Lunch Program</i>	240	10.555	372,485
<b>Passed Through Texas Department of Education:</b>				
71301601	Cash Assistance: <i>National School Lunch Program</i>	240	10.555	2,222,867
71401601	<i>School Breakfast Program</i>	240	10.553	772,126
<b>Total Child Nutrition Cluster</b>				3,367,478
<b>Total Department of Agriculture</b>				3,367,478
<b>Total Expenditures of Federal Awards</b>				\$ 7,500,189

**Note 1 - Summary of Significant Accounting Policies**

The District accounts for all awards under federal programs in the General and 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.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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.

All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

**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, 2016. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. 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	\$ 7,500,189
Federal Revenue Accounted for in Governmental Funds	
Medicaid SHARS	1,148,896
Interest Rate Subsidy on Build America Bonds	582,893
	<u>1,731,789</u>
<b>Total Federal Revenue - Exhibit C-3</b>	<b><u>\$ 9,231,978</u></b>

**DEER PARK INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)*

*Exhibit K-2*

**Note 4 - General Fund Expenditures**

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

Medicaid SHARS	\$ 1,148,896
Summer School LEP (CFDA 84.369A)	<u>5,565</u>
	<u>\$ 1,154,461</u>

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**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.	\$ 0
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 24,606,315
SF13	Pension Expense (6147) at fiscal year-end.	\$ 3,670,615