DEER PARK INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For the Year Ended June 30, 2018

DEER PARK INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF 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, 2018, at a meeting of the Board of Trustees of such school district on November 12, 2018.

Ken Stonnell
President of the Board

Rhonda Lowe
Secretary of the Board

FINANCIAL SECTION

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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, Note 12, and Note 20 to the financial statements, the District adopted the provisions of Government Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-15, budgetary comparison information on pages 68-69, pension schedules on pages 70-71, and OPEB schedules on pages 72-73 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, 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 12, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018.

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 $78,195,302 (net position). Of this amount, $6,385,520 (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 $11,837,145 due to current year activities, offset by a negative prior period adjustment of $75,560,400. This resulted in an overall decrease in net position of $63,723,255 from the prior year. This decrease is mainly due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* and reflecting the District's proportionate share of the post-employment benefit liability in the financials. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $140,923,364, an increase of $55,577,821 in comparison with the prior year. The overall increase in governmental fund balances was primarily due to an increase in the capital projects fund balance of $49,276,264.
- During the current fiscal year, unassigned fund balance for the general fund is 31 percent of total general fund expenditures.
- The District's total bonded debt increased by $39,875,000 (19 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).

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 Repairs and Maintenance, Contracted Instructional Services, 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.

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. The required supplementary information also includes information related to the District's pension and other post-employment benefit plans.

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 $78,195,302 at the close of the most recent fiscal year.

A large portion of the District's net position ($65,825,078) 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.

As of June 30, 2018, the District's net position included the following:

	Governmental Activities	
	2018	**2017***
Current and other assets	$ 165,221,102	$ 109,224,592
Capital and non current assets	283,513,686	294,313,014
Total Assets	448,734,788	403,537,606
Deferred outflows of resources	13,614,087	20,131,400
Total Deferred Outflows of Resources	13,614,087	20,131,400
Current liabilities	20,207,962	16,717,934
Long term liabilities	342,119,246	335,738,667
Total Liabilities	362,327,208	352,456,601
Deferred inflows of resources	21,826,365	4,854,248
Total Deferred Inflows of Resources	21,826,365	4,854,248
Net Position:		
Net investment in capital assets	65,825,078	71,310,616
Restricted	5,984,704	4,359,580
Unrestricted	6,385,520	(9,312,039)
Total Net Position	$ 78,195,302	$ 66,358,157

* The prior year governmental activities and total net position balances have been restated by $75.56 million to reflect the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Net position is restricted for various purposes as follows:

	Governmental Activities	
	2018	**2017**
Federal and state programs	$ 21,905	$ 11,424
Food service	57,985	173,837
Debt service	5,904,814	4,174,319
	$ 5,984,704	$ 4,359,580

The balance of unrestricted net position ($6,385,520) 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 $11,837,145 during the current fiscal year due to current year activities.

	Governmental Activities	
	2018	2017*
Program Revenues		
Charges for services	$ 3,795,843	$ 4,190,579
Operating grants	(7,725,704)	16,061,756
General Revenues		
Property taxes	119,085,087	119,073,235
State Aid - Formula Grants	15,479,137	14,398,212
Interest earnings	1,238,511	602,404
Other	2,348,341	2,158,414
Total Revenues	134,221,215	156,484,600
Expenses		
Instruction	55,686,745	82,776,932
Instructional resources and media services	1,363,366	1,972,672
Curriculum and staff development	2,015,994	2,762,738
Instructional leadership	732,053	1,116,592
School leadership	4,484,568	7,094,974
Guidance, counseling, and evaluation services	3,867,186	6,247,905
Social work services	7,165	28,203
Health services	717,916	1,222,306
Student transportation	3,836,993	4,849,773
Food service	6,433,198	7,212,710
Extracurricular activities	2,021,338	2,681,214
General administration	5,259,878	6,188,059
Facilities maintenance and operations	13,550,643	15,815,275
Security and monitoring services	1,212,423	1,139,918
Data processing services	8,958,340	5,275,366
Community services	199,107	199,046
Interest on long-term debt	7,388,486	7,561,047
Debt issuance costs and fees	876,914	357,471
Facilities repairs and maintenance	10,708	4,238
Contracted instructional services between schools	2,681,025	2,640,356
Payments to Juvenile Justice Alternative Education Programs	105,775	-
Other intergovernmental charges	974,249	938,896
Total Expenses	122,384,070	158,085,691
Increase (Decrease) in Net Position	11,837,145	(1,601,091)
Beginning net position	141,918,557	143,519,648
Prior period adjustment	(75,560,400)	-
Ending Net Position	$ 78,195,302	$ 141,918,557

***** Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenues and expenses relating to the implementation have not been calculated and are not available for comparison.

Governmental Activities

Governmental activities increased the District's net position by $11,837,145. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 94 percent of total revenues. The remaining is generated from charges for services, investment earnings, and miscellaneous revenues.

	Total Revenues	% of Total Revenues
Property taxes	$ 119,085,087	89%
State Aid - Formula Grants	15,479,137	12%
Operating grants and contributions	(7,725,704)	-6%
Charges for services	3,795,843	3%
Other revenue	3,586,852	1%
Total Revenues	$ 134,221,215	100%

The primary functional expenses of the District are instruction, facilities maintenance and operations, and data processing services which represent 64 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	$ 55,686,745	46%
Facilities maintenance and operations	13,550,643	11%
Data processing services	8,958,340	7%
Other expenses	44,188,342	36%
Total Expenses	$ 122,384,070	100%

The dramatic change in total expenses as well as operating grants and contributions revenues from year to year is reflective of a negative adjustment brought about by the implementation of the new OPEB standards promulgated by the Government Accounting Standards Board (GASB) and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the District's Net OPEB Liability and a resulting negative OPEB expense of $14.43 million in accordance with newly implemented accounting standards. Under these standards, the District is also required to report what is essentially both negative on-behalf expenses and negative on-behalf revenues for the portion of the reduction in the OPEB liability that is the responsibility of the State, or an additional $23.4 million. See Note 12 to the financial statements for a reconciliation of functional expenses and revenues impacted by this accounting treatment.

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 $140,923,364, an increase of $55,577,821 in comparison with the prior fiscal year. The increase in ending governmental fund balances is primarily due to the bonds issued in the capital projects fund for the District's ongoing construction projects.

The *general fund* is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $36,890,910, while total fund balance reached $79,261,667. 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 31 percent of total general fund expenditures, while total fund balance represents 67 percent of that same amount. The fund balance of the District's general fund increased by $4,469,148 primarily due to the following three reasons: 1) the District receiving the Emergency Impact Aid grant in the amount of $371,694, 2) the District receiving the Restart Grant in the amount of $612,458, and 3) due to Harris County being designated a federal disaster area all students at Deer Park ISD qualified as 'free & reduced' for the month of September which increased the District's compensatory allotment.

The *debt service fund* has a total fund balance of $8,478,486, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of $1,835,604 was in line with budgeted expectations.

The c*apital projects fund* has a total fund balance of $52,477,279, all of which is restricted for authorized construction and technology projects/enhancements. The increase in fund balance during the current year of $49,276,264 was due to the issuance of $55,995,000 of Series 2018 bonds.

General Fund Budgetary Highlights

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

	Budget	
	Original	**Final Amended**
Total revenues	$ 121,594,500	$ 121,724,453
Total expenditures	121,594,500	122,883,432
Net change in fund balance	$ -	$ (1,158,979)

The review of the final amended budget versus actual for the general fund reflected that revenues were more than budgetary estimates, primarily due to state revenues and local tax collections, and expenditures were less than budgetary estimates primarily in instruction and extra-curricular 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, 2018, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was $283,513,686. The following table summarizes the investment in capital assets as of June 30, 2018 and 2017.

	2018	2017
Land	$ 16,349,826	$ 16,349,826
Buildings and improvements	390,038,285	389,042,062
Furniture and equipment	32,297,694	31,635,114
Construction in progress	1,019,438	-
Total	439,705,243	437,027,002
Accumulated depreciation	(156,191,557)	(142,713,988)
Net capital assets	$ 283,513,686	$ 294,313,014

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

Long-term Liabilities

At the end of the current fiscal year, the District had $248,665,000 in bonded debt outstanding, an increase of $39,875,000 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, 2018, are as follows:

Outstanding 07/01/17	Issued	Retired	Outstanding 06/30/18
$ 208,790,000	$ 73,965,000	$ (34,090,000)	$ 248,665,000

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 2018 are $8,469,077,423 which is an increase from the 2017 certified value of $8,039,485,444. Single family home values have continued to increase as the average taxable residential value has increased from $104,698 in the 2017/18 fiscal year to $107,626.

- The tax rate for 2015/16 – 2017/18 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 2018/19 is $1.2367 for M&O and $0.302 for I&S for a total tax rate of $1.5387 which is a decrease of $0.018 per $100 valuation.

- Total budgeted expenditures per student in the District's General Fund (100) were $9,014 for 2016/17 and $9,318 for 2017/18. The budgeted expenditures per student in the District's General Fund are $9,459 for the 2018/19 fiscal year.

- The District has three fully executed Chapter 313 Agreements. The 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 District is currently in the process of approving a fourth Chapter 313 Agreement. If approved, this project will be limited for taxable value at $100 million (due to statutory changes) for M&O tax purposes, this project will be fully taxable for I&S purposes, and the company will pay a portion of the tax savings to the District.

- The total Deer Park ISD adopted budget for all funds for 2018/19 is $157,753,138 (M&O: $123,918,473, I&S: $26,670,547, and Child Nutrition: $7,164,118).

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 ***Exhibit A-1***

STATEMENT OF NET POSITION

June 30, 2018

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 96,382,776
1120	Current investments	50,721,536
1225	Property taxes receivables, net	4,293,312
1240	Due from other governments	7,319,392
1290	Other receivables, net	44,967
1300	Inventories	407,782
1410	Prepaid items	1,805,317
	Capital assets not subject to depreciation:	
1510	Land	16,349,826
1580	Construction in progress	1,019,438
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	256,588,715
1530	Furniture and equipment, net	9,555,707
1910	Long-term investments	4,246,020
1000	**Total Assets**	448,734,788
	Deferred Outflows of Resources	
1700	Deferred charge on refunding	3,858,393
1705	Deferred outflows - pension	9,155,017
1706	Deferred outflows - OPEB	600,677
	Total Deferred Outflows of Resources	13,614,087
	Liabilities	
2110	Accounts payable	2,099,094
2140	Interest payable	3,411,730
2150	Payroll deductions and withholdings	18,770
2160	Accrued wages payable	12,030,290
2180	Due to other governments	1,269,024
2200	Accrued expenses	253,100
2300	Unearned revenue	1,125,954
	Noncurrent Liabilities:	
2501	Due within one year	15,808,462
2502	Due in more than one year	258,282,021
2540	Net pension liability	24,986,921
2545	Net other post-employment benefits (OPEB) obligation	43,041,842
2000	**Total Liabilities**	362,327,208
	Deferred Inflows of Resources	
2605	Deferred inflows - pension	3,821,881
2606	Deferred inflows - OPEB	18,004,484
	Deferred Inflows of Resources	21,826,365
	Net Position	
3200	Net investment in capital assets	65,825,078
	Restricted for:	
3820	Federal and state programs	21,905
3820	Food service	57,985
3850	Debt service	5,904,814
3900	Unrestricted	6,385,520
3000	**Total Net Position**	$ 78,195,302

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit B-1*

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities
	Governmental activities:				
11	Instruction	$ 55,686,745	$ 583,958	$ (7,657,786)	$ (62,760,573)
12	Instructional resources and media services	1,363,366	101,731	(212,542)	(1,474,177)
13	Curriculum and staff development	2,015,994	53,543	159,059	(1,803,392)
21	Instructional leadership	732,053	-	(184,107)	(916,160)
23	School leadership	4,484,568	58,897	(1,310,811)	(5,736,482)
31	Guidance, counseling, and evaluation services	3,867,186	-	(802,083)	(4,669,269)
32	Social work services	7,165	-	(1,531)	(8,696)
33	Health services	717,916	-	1,436,363	718,447
34	Student transportation	3,836,993	-	(600,144)	(4,437,137)
35	Food service	6,433,198	2,699,343	3,524,203	(209,652)
36	Extracurricular activities	2,021,338	69,323	(372,791)	(2,324,806)
41	General administration	5,259,878	-	(544,730)	(5,804,608)
51	Facilities maintenance and operations	13,550,643	229,048	(1,193,835)	(14,515,430)
52	Security and monitoring services	1,212,423	-	(51,505)	(1,263,928)
53	Data processing services	8,958,340	-	(325,799)	(9,284,139)
61	Community services	199,107	-	95,426	(103,681)
72	Interest on long-term debt	7,388,486	-	316,909	(7,071,577)
73	Debt issuance costs and fees	876,914	-	-	(876,914)
81	Facilities repairs and maintenance	10,708	-	-	(10,708)
91	Contracted instructional services between schools	2,681,025	-	-	(2,681,025)
95	Payments to Juvenile Justice Alternative Education Programs	105,775	-	-	(105,775)
99	Other intergovernmental charges	974,249	-	-	(974,249)
TG	**Total governmental activities**	$ 122,384,070	$ 3,795,843	$ (7,725,704)	$ (126,313,931)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	94,009,154
DT	Property taxes, levied for debt service	25,075,933
SF	State-aid formula grants	15,479,137
IE	Investment earnings	1,238,511
MI	Miscellaneous	2,348,341
TR	Total general revenues	138,151,076
CN	Change in net position	11,837,145
NB	**Net position - beginning**	141,918,557
PA	Prior period adjustments	(75,560,400)
NE	**Net position - ending**	$ 78,195,302

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

Data Control Codes		General Fund	Debt Service	Capital Projects
	Assets			
1110	Cash and temporary investments	$ 27,284,305	$ 6,779,837	$ 14,499,821
1120	Investments	50,717,556	-	40,236,862
	Receivables:			
1220	Property taxes - delinquent	4,894,421	1,162,804	-
1230	Allowance for uncollectible taxes (credit)	(1,478,759)	(285,154)	-
1240	Receivables from other governments	5,218,433	-	-
1260	Due from other funds	7,105,357	2,280,543	1,073,000
1290	Other receivables	43,267	-	-
1300	Inventories, at cost	368,788	-	-
1410	Prepaid items	1,797,652	-	-
1900	Long-term investments	4,246,020	-	-
1000	**Total Assets**	$ 100,197,040	$ 9,938,030	$ 55,809,683
	Liabilities, Deferred Inflows, and Fund Balance			
	Liabilities			
2110	Accounts payable	$ 626,895	$ -	$ 1,376,782
2160	Accrued wages payable	11,252,113	-	-
2170	Due to other funds	3,412,272	621,486	1,955,622
2180	Payable to other governments	1,268,989	-	-
2300	Unearned revenue	1,117,691	-	-
2000	**Total Liabilities**	17,677,960	621,486	3,332,404
	Deferred Inflows of Resources			
2600	Unavailable revenues - property taxes	3,257,413	838,058	-
	Deferred Inflows of Resources	3,257,413	838,058	-
	Fund Balance			
	Non-Spendable			
3410	Inventories	368,788	-	-
3430	Prepaid items	1,797,652	-	-
	Restricted			
3450	Federal/State funds grant restrictions	-	-	-
3470	Capital acquisitions and contractual obligations	-	-	52,477,279
3480	Retirement of funded indebtedness	-	8,478,486	-
	Committed			
3510	Construction	3,000,000	-	-
3530	Capital expenditures for equipment	4,000,000	-	-
3545	Other purposes	33,000,000		
	Assigned			
3590	Other purposes	204,317	-	-
3600	**Unassigned**	36,890,910	-	-
3000	**Total fund balances**	79,261,667	8,478,486	52,477,279
4000	**Total Liabilities, Deferred Inflows, and Fund Balances**	$ 100,197,040	$ 9,938,030	$ 55,809,683

See Notes to the Financial Statements

Exhibit C-1

Total Nonmajor Governmental Funds	Total Governmental Funds
$ 1,063,405	$ 49,627,368
-	90,954,418
-	6,057,225
-	(1,763,913)
2,100,959	7,319,392
30,527	10,489,427
414	43,681
38,994	407,782
7,665	1,805,317
-	4,246,020
$ 3,241,964	$ 169,186,717
$ 90,135	$ 2,093,812
749,488	12,001,601
1,688,111	7,677,491
35	1,269,024
8,263	1,125,954
2,536,032	24,167,882
-	4,095,471
-	4,095,471
38,994	407,782
7,665	1,805,317
21,905	21,905
-	52,477,279
-	8,478,486
-	3,000,000
-	4,000,000
637,368	33,637,368
-	204,317
-	36,890,910
705,932	140,923,364
$ 3,241,964	$ 169,186,717

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DEER PARK INDEPENDENT SCHOOL DISTRICT ***Exhibit C-2***

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

June 30, 2018

Data Control Codes			
	Total fund balance, governmental funds	$	140,923,364
	Amounts reported for governmental activities in the statement of net position are different because:		
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable		283,513,686
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).		4,095,471
3	Deferred loss on refunding		3,858,393
4	Deferred inflows and outflows related to pension activities		5,333,136
5	Deferred inflows and outflows related to OPEB activities		(17,403,807)
6	State aid has been earned but is not available soon enough to pay for the current period's expenditures.		
	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:		
7	General obligation bonds		(248,665,000)
8	Premiums on issuance		(25,359,280)
9	Accrued compensated absences		(66,203)
10	Accrued interest payable		(3,411,730)
11	Net pension liability		(24,986,921)
12	Net OPEB liability		(43,041,842)
13	Addition of Internal Service fund net position		3,406,035
19	**Total net position-governmental activities**	$	78,195,302

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, 2018

Data Control Codes		General Fund	Debt Service	Capital Projects
	Revenues			
5700	Local, intermediate, and out-of-state	$ 101,101,952	$ 25,454,138	$ 461,799
5800	State program revenues	21,401,675	316,909	-
5900	Federal program revenues	1,709,924	584,774	-
5020	**Total revenues**	124,213,551	26,355,821	461,799
	Expenditures			
	Current:			
0011	Instruction	67,816,642	-	72,414
0012	Instruction resources and media services	1,231,494	-	73,997
0013	Curriculum and instructional staff development	2,248,067	-	-
0021	Instructional leadership	1,115,765	-	-
0023	School leadership	7,047,882	-	-
0031	Guidance, counseling and evaluation services	5,818,375	-	-
0032	Social work services	9,313	-	-
0033	Health services	1,101,504	-	-
0034	Student transportation	3,821,731	-	226,860
0035	Food services	-	-	22,547
0036	Extracurricular activities	2,733,672	-	-
0041	General administration	3,683,545	-	613,267
0051	Facilities maintenance and operations	14,926,770	-	544,811
0052	Security and monitoring services	1,114,714	-	105,718
0053	Data processing services	2,524,804	-	8,024,322
0061	Community services	116,084	-	-
	Debt service:			
0071	Principal on long-term debt	-	15,175,000	-
0072	Interest on long-term debt	-	9,128,237	627,631
0073	Bond issuance costs and fees	-	249,283	-
	Capital outlay:			
0081	Facilities acquisition and construction	-	-	1,501,599
	Intergovernmental:			
0091	Contracted instructional services	2,681,025	-	-
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	105,775	-	-
0099	Other intergovernmental charges	974,249	-	-
6030	**Total Expenditures**	119,071,411	24,552,520	11,813,166
1100	Excess (deficiency) of revenues over expenditures	5,142,140	1,803,301	(11,351,367)
	Other Financing Sources (Uses)			
7901	Refunding bonds issued	-	17,970,000	-
7911	Capital-related debt issued (regular bonds)	-	-	55,995,000
7916	Premium or discount on issuance of bonds	-	3,328,718	4,632,631
8949	Other uses - property tax refunds	(672,992)	(174,139)	-
8949	Other uses - payments to refunded bonds escrow agent	-	(21,092,276)	-
7080	**Total other financing sources and uses**	(672,992)	32,303	60,627,631
1200	Net change in fund balances	4,469,148	1,835,604	49,276,264
0100	**Fund Balance - July 1 (Beginning)**	74,792,519	6,642,882	3,201,015
3000	**Fund Balance - June 30 (Ending)**	$ 79,261,667	$ 8,478,486	$ 52,477,279

See Notes to the Financial Statements

Exhibit C-3

Total Nonmajor Governmental Funds	Total Governmental Funds
$ 3,635,785	$ 130,653,674
1,298,797	23,017,381
8,411,797	10,706,495
13,346,379	164,377,550
5,897,956	73,787,012
114,183	1,419,674
548,838	2,796,905
-	1,115,765
27,460	7,075,342
283,154	6,101,529
-	9,313
-	1,101,504
-	4,048,591
6,340,570	6,363,117
-	2,733,672
-	4,296,812
2,040	15,473,621
-	1,220,432
667	10,549,793
134,706	250,790
-	15,175,000
-	9,755,868
-	249,283
-	1,501,599
-	2,681,025
-	105,775
	974,249
13,349,574	168,786,671
(3,195)	(4,409,121)
-	17,970,000
-	55,995,000
-	7,961,349
-	(847,131)
-	(21,092,276)
-	59,986,942
(3,195)	55,577,821
709,127	85,345,543
$ 705,932	$ 140,923,364

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, 2018

Data Control Codes			
	Net change in fund balances - total governmental funds (from C-3)	$	55,577,821
	Amounts reported for *governmental activities* in the statement of activities (B-1) are different because:		
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
1	Governmental funds capital outlays		3,138,310
2	Governmental activities depreciation expense		(13,862,227)
3	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.		(75,411)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(772,950)
5	State aid revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(2,860,472)
6	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.		15,175,000
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.		
7	Proceeds from issuance of refunding bonds		(17,970,000)
8	Proceeds from issuance of capital-related bonds		(55,995,000)
9	Premium issued on regular bonds		(4,632,631)
10	Premium issued on refunding bonds		(3,328,718)
11	Payments to refunding agent		21,092,276
12	Pension contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability as opposed to expenses in the statement of activity.		2,695,832
13	OPEB contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net OPEB liability as opposed to expenses in the statement of activity.		685,469
	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:		
14	Decrease in interest payable not recognized in fund statements		43,152
15	Decrease in long-term portion of accrued compensated absences		25,047
16	Amortization of bond premium		2,123,966
17	Amortization of deferred loss on refunded bonds		(427,367)
18	Pension expense for the pension plan measurement year		(3,743,165)
19	OPEB expense for the plan measurement year		14,429,282
20	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).		518,931
	Change in net position of governmental activities (see B-1)	$	11,837,145

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit D-1*

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2018

Data Control Codes			Governmental Activities- Internal Service Funds
	Assets		
	Current Assets:		
1110-75	Cash and cash equivalents	$	6,522,526
	Receivables:		
1260	Due from other funds		28,202
1290	Other receivables		1,286
1000	**Total Assets**	$	6,552,014
	Liabilities		
	Current Liabilities:		
2110	Accounts payable	$	5,282
2150	Payroll deduction and withholdings payable		18,770
2160	Accrued wages payable		28,689
2170	Due to other funds		2,840,138
2200	Accrued expenses		253,100
2000	**Total Liabilities**	$	3,145,979
	Net Position		
3900	Unrestricted net position		3,406,035
3000	**Total Net Position**	$	3,406,035

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit D-2*

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

Data Control Codes		Governmental Activities- Internal Service Funds
	Operating Revenues	
5700	Charges for Services	$ 1,162,575
5020	**Total Operating Revenues**	1,162,575
	Operating Expenses	
6100	Payroll costs	398,543
6200	Purchased and contracted services	94,278
6300	Supplies and materials	17,078
6400	Claims expense and other operating expenses	223,296
6030	**Total Operating Expenses**	733,195
1200	Operating Income (Loss)	429,380
	Non-Operating Revenues (Expenses)	
7020	Investment earnings	89,551
	Total Non-operating Revenues (Expenses)	89,551
1200	Change in Net Position	518,931
0100	**Net Position - July 1 (Beginning)**	2,887,104
3300	**Net Position - June 30 (Ending)**	$ 3,406,035

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, 2018

		Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from customers	$	1,162,691
Cash receipts (payments) for interfund services provided		(11,303)
Cash payments for insurance claims		(223,296)
Cash payments to suppliers for goods and services		(104,834)
Cash payments to employees		(382,258)
Net Cash Provided by (Used for) Operating Activities		441,000
Cash Flows from Investing Activities:		
Interest on investments		89,551
Net Cash Provided by Investing Activities		89,551
Net Increase in Cash and Cash Equivalents		530,551
Cash and Cash Equivalents at Beginning of Year		5,991,975
Cash and Cash Equivalents at End of Year	$	6,522,526
Reconciliation to Balance Sheet		
Cash and Cash Equivalents Per Cash Flow		6,522,526
Cash and Cash Equivalents per Balance Sheet	$	6,522,526
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$	429,380
Change in Assets and Liabilities:		
Decrease (increase) in Interfund Receivables		(709)
Decrease (increase) in Other Receivables		116
Decrease (increase) in Inventories		5,116
Decrease (increase) in Accounts Payable		1,406
Increase (decrease) in Interfund Payables		(10,594)
Increase (decrease) in Accrued Wages Payable		(17,541)
Increase (decrease) in Claims Payable		33,826
Net Cash Provided by (Used for) Operating Activities	$	441,000

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, 2018

Data Control Codes		Private Purpose Trust Funds	Agency Funds
	Assets		
1110	Cash and cash equivalents	$ 112,690	$ 764,720
	Receivables:		
1290	Other receivables	5,126	-
1410	Prepaid items	-	3,915
1000	**Total Assets**	$ 117,816	$ 768,635
	Liabilities		
2110	Accounts payable	$ -	$ 20,118
2190	Due to others	-	698,834
2200	Other accrued expenses	-	33,183
2000	**Total Liabilities**	$ -	$ 752,135
	Net Position		
3800	Restricted	$ 117,816	

See Notes to the Financial Statements

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit E-2*

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2018

	Private Purpose Trust Funds
Additions	
Gifts and contributions	$ 22,843
Total additions	22,843
Deductions	
Non-operating expenses	20,926
Total deductions	20,926
Change in net position	1,917
Net position beginning of year	115,899
Net position end of year	$ 117,816

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).

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.

Non-major governmental funds of the District include federal, state, and local grant funds accounted for as *special revenue funds* as well as the District's campus activity fund.

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government’s actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. This statement does not have an impact on the financial statements for the year ended June 30, 2018.

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 2018 (tax year 2017) was $7,899,177,876. 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 2018 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 2018 was $122,966,502. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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:

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

I. Compensated Absences

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

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

J. Long-term Obligations

The District's long-term obligations consist of bonded indebtedness, health insurance, workers' compensation, and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Note 1 - Summary of Significant Accounting Policies (continued)

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 three 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, 2018 was $3,858,393.
- 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, 2018 was $9,155,017.
- Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the District's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan. The amount of deferred outflows reported in the governmental activities for deferred OPEB expenses at June 30, 2018 was $600,677.

Note 1 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows/Inflows of Resources (continued)

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 three 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, 2018 was $4,095,471.
- 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 $3,821,881.

- Deferred inflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan. The District reported deferred inflows of resources for OPEB in the governmental activities in the amount of $18,004,484.

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.

M. Other Post-Employment Benefits

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

Note 1 - Summary of Significant Accounting Policies (continued)

N. 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. The fund balance of the District's campus activity fund as of June 30, 2018 in the amount of $637,368 is committed fund balance.

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-O).

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)

O. 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, 2018, 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.

P. 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.

Q. 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, 2018 of $30,292,956, were entirely covered by FDIC insurance and pledged securities held by the District's agent in the name of the District.

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

Local Government Investment Pools

For the year ended June 30, 2018, 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.

Note 2 - Deposits and Investments (continued)

Local Government Investment Pools (continued)

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.

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.

Note 2 - Deposits and Investments (continued)

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.

At June 30, 2018, the District's cash and investment balances and the weighted average maturity of these investments were as follows:

	Fair Market Value	Weighted Average Maturity (Days)
Governmental Activities		
Cash and deposits	$ 29,573,964	N/A
Investments		
Certificates of deposit	1,549,813	542
Local Government Investment Pools		
MBIA Texas CLASS	283,419	50
Logic	106,888	28
TexPool	120,308	28
	510,615	
Mutual Funds		
Lone Star	66,295,911	25
Investment Securities		
Commercial Paper	44,855,783	86
Municipal Bonds	8,563,469	250
US Treasury	777	N/A
	53,420,029	
Total Investments	121,776,368	56
Total Governmental Activities	151,350,332	
Fiduciary Funds		
Cash and Deposits	499,171	N/A
Mutual Funds - Lone Star	378,239	25
Total Fiduciary Funds	877,410	
Total	$ 152,227,742	

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, 2018, the District's exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

		Investment Maturity in Years	
	Carrying Value	Less than 1	1-5
Certificates of Deposit	$ 1,549,813	$ 1,196,163	$ 353,650
Local Government Investment Pools:			
MBIA Texas CLASS	283,419	283,419	-
Logic	106,888	106,888	-
TexPool	120,308	120,308	-
Mutual Funds - Lone Star	66,674,150	66,674,150	-
Investment Securities:			
Commercial Paper	44,855,783	44,855,783	-
Municipal Bonds	8,563,469	4,671,099	3,892,370
US Treasury	777	777	-
	$ 122,154,607	$ 117,908,587	$ 4,246,020

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, 2018, 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 AAAf by Standard and Poor's. The District's investment in Agency Securities were rated AAA by Standard and Poor's. The District's investment in Commercial Paper was rated A-1+ by Standard and Poor's.

Concentration of Credit Risk: The District's investment policy does not require the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's investments in Lone Star, Commercial Paper, and Municipal Bonds represent 55 percent, 37 percent, and 7 percent, respectively, of the District's total investments.

The investments are reported by the District at fair value or amortized cost, where permitted. The amount of investment earnings during the year ended June 30, 2018, was $1,238,511.

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

Note 2 - Deposits and Investments (continued)

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, commercial paper, and municipal bonds are reported at fair value using Level 2 inputs. The District's certificates of deposit are reported at fair value using Level 1 inputs.

Note 3 - Receivables

Receivables as of June 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service	Other Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Property Taxes	$ 4,894,421	$ 1,162,804	$ -	$ -	$ -	$ 6,057,225
Due from other governments	5,218,433	-	2,100,959	-	-	7,319,392
Other	43,267	-	414	1,286	5,126	50,093
Gross Receivables	10,156,121	1,162,804	2,101,373	1,286	5,126	13,426,710
Less allowance for doubtful accounts	(1,478,759)	(285,154)	-	-	-	(1,763,913)
Net Total Receivables	$ 8,677,362	$ 877,650	$ 2,101,373	$ 1,286	$ 5,126	$ 11,662,797

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 $1,125,954.

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 01, 2017	Additions	(Retirements) and Transfers	Balance June 30, 2018
Capital assets, not being depreciated				
Land	$ 16,349,826	$ -	$ -	$ 16,349,826
Construction in progress	-	1,019,438	-	1,019,438
Total Capital assets, not being depreciated	16,349,826	1,019,438	-	17,369,264
Capital assets, being depreciated				
Buildings and improvements	389,042,062	996,223		390,038,285
Furniture and equipment	31,635,114	1,122,649	(460,069)	32,297,694
Total Capital assets, being depreciated	420,677,176	2,118,872	(460,069)	422,335,979
Less accumulated depreciation for:				
Buildings and improvements	(121,632,643)	(11,816,927)	-	(133,449,570)
Furniture and Equipment	(21,081,345)	(2,045,300)	384,658	(22,741,987)
Total Accumulated depreciation	(142,713,988)	(13,862,227)	384,658	(156,191,557)
Governmental Capital Assets	$ 294,313,014	$ (10,723,917)	$ (75,411)	$ 283,513,686

Note 4 - Capital Assets (continued)

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

Function	Depreciation Expense
Instruction	$ 9,131,207
Instructional resources and media services	364,422
Guidance, counseling and evaluation services	37,787
Health services	28,618
Student transportation	792,280
Food Services	763,122
Extracurricular activities	60,528
General administration	2,008,339
Plant maintenance and operations	616,703
Security and monitoring services	59,221
	$ 13,862,227

The District had active construction projects as of June 30, 2018. The District's commitments with contractors as of June 30, 2018 are as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Carper Elementary	$ 1,829,100	$ 803,025	$ 1,026,075
Bonnette Junior High	243,374	216,413	26,961
	$ 2,072,474	$ 1,019,438	$ 1,053,036

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, 2018, is as follows:

	Interfund Receivable	Interfund Payable	Net
General Fund	$ 7,105,357	$ 3,412,272	$ 3,693,085
Debt Service	2,280,543	621,486	1,659,057
Capital Projects	1,073,000	1,955,622	(882,622)
Nonmajor Governmental Funds	30,527	1,688,111	(1,657,584)
Internal Service Funds	28,202	2,840,138	(2,811,936)
Total	$ 10,517,629	$ 10,517,629	$ -

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The District did not have any interfund transfers for the year ended June 30, 2018.

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:

	Balance July 1, 2017	Additions	Deductions - Payments to Participants	Balance June 30, 2018
Compensated absences payable	$ 91,250	$ -	$ (25,047)	$ 66,203

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, 2018, the legal debt margin amounted to $524,371,993.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
General obligation bonds	$ 208,790,000	$ 73,965,000	$ (34,090,000)	$ 248,665,000	$ 15,775,000
Premiums/discounts	21,570,862	7,961,349	(4,172,931)	25,359,280	-
Compensated absences payable	91,250	-	(25,047)	66,203	33,462
	$ 230,452,112	$ 81,926,349	$ (38,287,978)	$ 274,090,483	$ 15,808,462

On March 5, 2018, the District issued Unlimited Tax School Building Bonds, Series 2018 in the amount of $26,335,000. Interest rates on the bonds range from 2 to 5 percent. Premiums on the bonds totaled $4,111,789.

On March 26, 2018, the District issued Variable Rate Unlimited Tax School Building Bonds, Series 2018 in the amount of $29,660,000. Interest rates on the bonds range from 3 to 4 percent. Premiums on the bonds totaled $586,512.

Note 7 - Long-term Liabilities (continued)

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:

Issue	Original issuance amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Limited Tax Refunding Bonds, Series 2009	13,800,000	2.00% to 4.00%	2020	5,520,000
Limited Tax School Building Bonds, Series 2010A	6,310,000	2.00% to 5.00%	2020	2,465,000
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	23,760,000
Limited Tax School Building and Refunding Bonds, Series 2013	56,465,000	2.00 to 5.00%	2030	41,140,000
Limited Tax School Building and Refunding Bonds, Series 2013	12,965,000	2.00 to 5.00%	2030	12,915,000
Limited Tax Refunding Bonds, Series 2014	12,180,000	2.00 to 5.00%	2030	9,665,000
Limited Tax Refunding Bonds, Series 2015	37,055,000	2.00 to 5.00%	2029	33,840,000
Limited Tax Refunding Bonds, Series 2016	9,795,000	3.00 to 4.00%	2027	9,795,000
Limited Tax Refunding Bonds, Series 2017	17,970,000	2.00 to 5.00%	2028	17,970,000
Unlimited Tax School Building Bonds, Series 2018	26,335,000	2.00 - 5.00%	2036	26,335,000
Variable Rate Unlimited Tax School Building Bonds, Series 2018	29,660,000	3.00 - 4.00%	2042	29,660,000
				$ 248,665,000

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2019	$ 15,775,000	$ 10,667,720	$ 26,442,720
2020	16,415,000	10,271,176	26,686,176
2021	17,065,000	9,789,526	26,854,526
2022	15,920,000	9,120,502	25,040,502
2023	16,545,000	8,467,856	25,012,856
2024 - 2028	78,615,000	31,054,438	109,669,438
2029 - 2033	43,100,000	14,002,824	57,102,824
2034 - 2038	20,035,000	7,448,450	27,483,450
2039 - 2043	25,195,000	2,599,900	27,794,900
	$ 248,665,000	$ 103,422,392	$ 352,087,392

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, 2018, the District received $584,774 in such subsidies.

Advance Refunding of Debt

On September 8, 2017, the District issued Limited Tax Refunding Bonds, Series 2017 in the amount of $17,970,000. The amount of the refunded bonds totaled $18,915,000. The refunding resulted in an economic gain of $1,404,735. As a result, the refunded bonds have been removed from the governmental activities column of the statement of net position. Interest rates on the bonds range from 2 to 5 percent. Premiums on the bonds totaled $3,263,048. The deferred loss on the refunding of $500,963 will be amortized over the life of the new or the refunded bonds, whichever is less.

Note 7 - Long-term Liabilities (continued)

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, 2018, there was $18,915,000 of previously refunded debt outstanding that was considered defeased.

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

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

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Property Taxes	$ 97,799,327	$ 25,304,513	$ -	$ -	$ 123,103,840
Penalties, interest and other tax related revenue	367,981	93,819	-	-	461,800
Investment Income	782,443	55,806	293,833	16,878	1,148,960
Co-curricular student activities	242,729	-	-	535,428	778,157
Tuition and fees	125,101	-	-	-	125,101
SSA - Member Districts	-	-	-	96,261	96,261
Food Sales	-	-	-	2,699,343	2,699,343
Other	1,784,371	-	167,966	287,875	2,240,212
	$ 101,101,952	$ 25,454,138	$ 461,799	$ 3,635,785	$ 130,653,674

Note 9 - General Fund Federal Source Revenues

Program or Source	CFDA #	Amount
Summer School LEP	84.369A	$ 4,749
School Health and Related Service (SHARS)	N/A	1,642,724
		$ 1,709,924

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, 2018. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2018, amounted to $418,074.

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 https://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

Note 11 - Defined Benefit Pension Plans (continued)

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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	Contribution Rates Plan Fiscal Year	
	2017	**2018**
Member (Employee)	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
District	6.80%	6.80%

	Measurement Year (2017) Contributions Required and Made	Fiscal Year (2018) TRS Contributions
Member (Employee)	$ 6,732,795	$ 6,879,921
Non-Employer Contributing Entity (State)	4,401,020	4,396,778
District	2,561,174	2,700,778

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

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.

Note 11 - Defined Benefit Pension Plans (continued)

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.

Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
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, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long Term Expected Portfolio Real Rate of Return
Global Equity			
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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportional share of the net pension liability	$ 42,123,013	$ 24,986,921	$ 10,718,344

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, 2018, the District reported a liability of $24,986,921 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		0.0781%
District's proportionate share of the net pension liability	$	24,986,921
State's proportionate share of the net pension liability associated with the District		43,026,809
	$	68,013,730

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0781% which was an increase of 0.0006% from its proportion measured as of August 31, 2016 of 0.0775%.

Changes since the Prior Actuarial Valuation

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

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

For the fiscal year ended June 30, 2018, the District recognized pension expense of $3,743,165 as well as revenue of $3,281,914 representing pension expense incurred by the State on behalf of the District.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 365,570	$ (1,347,512)
Changes of assumptions	1,138,194	(651,589)
Net difference between projected and actual earnings on pension plan investments	-	(1,820,993)
Changes in proportion and differences between District contributions and proportionate share of contributions	5,337,272	(1,787)
District contributions subsequent to the measurement date	2,313,981	-
Total	$ 9,155,017	$ (3,821,881)

Note 11 - Defined Benefit Pension Plans (continued)

The $2,313,981 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, 2019. 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:

Year ended June 30	Expense Amount
2019	$ (422,346)
2020	(2,017,325)
2021	(299,797)
2022	146,726
2023	(427,210)
Thereafter	797
	$ (3,019,155)

Note 12 - Defined Other Post-Employment Benefit Plans

A. Plan Description

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

B. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

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

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

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

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

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

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

**or surviving spouse*

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

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

	Contribution Rates	
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding remitted by Employers	1.00%	1.25%

	Measurement Year (2017) Contributions Required and Made	Fiscal Year (2018) TRS-Care Contributions
Member (Employee)	$ 568,353	$ 580,772
Non-Employer Contributing Entity (State)	836,136	1,247,624
District	514,588	680,731

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

D. Contributions (continued)
In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of $535 per retiree.

In addition, during the current fiscal year, $212.0 million was transferred to TRS from the State to pay for TRS-Care during the 85th First Legislative Special Session House Bill 21, Section 10. The District reported on-behalf revenues and expenditures of $210 thousand relating to these transfers.

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

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

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

Additional Actuarial Methods and Assumptions

Valuation date	August 31, 2017
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.50%
Discount rate	3.42%*
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age adjusted claims costs.
Payroll growth rate	2.50%
Salary increases	3.50% to 9.50%**
Healthcare trend rates	4.50% to 12.00%***
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad hoc post-employment benefit changes	None

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.
** Includes Inflation at 2.50%
*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescription trend rate of 4.50% over a period of 10 years.

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

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

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

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

F. Discount Rate
A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability:	$ 50,800,059	$ 43,041,842	$ 36,805,985

Healthcare Cost Trend Rate - The following presents the District's proportional share of the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	$ 35,836,634	$ 43,041,842	$ 52,495,984

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of $43,041,842 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 43,041,842
State's proportionate share that is associated with District	69,937,199
Total	$ 112,979,041

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0990% which was the same proportion measured as of August 31, 2016.

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

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

There was a significant plan change adopted in fiscal year ending August 31, 2017:

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.

- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

Negative Pension Expense
The significant changes to the plan benefits and assumptions noted above lowered the OPEB liability related to TRS-Care plan as a whole by $ 33.3 billon. As a result, the District’s proportional share of the net OPEB liability decreased by $32.94 million. Because the decrease in the liability was the result of changes to plan benefits, a majority of the decrease has been recognized immediately in the District’s financial statements. As a result, the District recognized a total proportional share of negative OPEB expense of $14.43 million. A portion of this negative expense represents the State’s on behalf share of this activity which is offset by what the Governmental Accounting Standards Board refers to as a negative revenue in the amount of $23.40 million.

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

The following table illustrates the magnitude of the negative on behalf adjustment for the State's portion of the TRS-Care benefits by individual function for both operating grants and contributions revenues and expense:

Data Control Codes	Functions/Programs	Current Year Prior to Negative On-behalf Activities: Expenses	Current Year Prior to Negative On-behalf Activities: Operating Grants and Contributions	Negative On-Behalf Activities	Current Year After Negative On-behalf Activities as presented in Exhibit B-1: Expenses	Current Year After Negative On-behalf Activities as presented in Exhibit B-1: Operating Grants and Contributions
	Governmental activities:					
11	Instruction	$ 71,324,528	$ 7,979,997	$ (15,637,783)	$ 55,686,745	$ (7,657,786)
12	Instructional resources and media services	1,613,776	37,868	(250,410)	1,363,366	(212,542)
13	Curriculum and staff development	2,462,988	606,053	(446,994)	2,015,994	159,059
21	Instructional leadership	949,699	33,539	(217,646)	732,053	(184,107)
23	School leadership	6,045,538	250,159	(1,560,970)	4,484,568	(1,310,811)
31	Guidance, counseling, and evaluation services	5,147,322	478,053	(1,280,136)	3,867,186	(802,083)
32	Social work services	9,505	809	(2,340)	7,165	(1,531)
33	Health services	961,306	1,679,753	(243,390)	717,916	1,436,363
34	Student transportation	4,543,759	106,622	(706,766)	3,836,993	(600,144)
35	Food service	6,433,198	3,524,203	-	6,433,198	3,524,203
36	Extracurricular activities	2,461,312	67,183	(439,974)	2,021,338	(372,791)
41	General administration	5,901,116	96,508	(641,238)	5,259,878	(544,730)
51	Facilities maintenance and operations	14,959,494	215,016	(1,408,851)	13,550,643	(1,193,835)
52	Security and monitoring services	1,273,270	9,342	(60,847)	1,212,423	(51,505)
53	Data processing services	9,417,036	132,897	(458,696)	8,958,340	(325,799)
61	Community services	245,913	142,232	(46,806)	199,107	95,426
72	Interest on long-term debt	7,388,486	316,909	-	7,388,486	316,909
73	Debt issuance costs and fees	876,914	-	-	876,914	-
81	Facilities repairs and maintenance	10,708	-	-	10,708	-
91	Contracted instructional services between schools	2,681,025	-	-	2,681,025	-
95	Payments to Juvenile Justice Alternative Education Programs	105,775	-	-	105,775	-
99	Other intergovernmental charges	974,249	-	-	974,249	-
TG	**Total governmental activities**	$ 145,786,917	$ 15,677,143	$ (23,402,847)	$ 122,384,070	$ (7,725,704)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ (898,531)
Changes in actuarial assumptions	-	(17,105,953)
Difference between projected and actual investment earnings	6,538	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	200	-
Contributions paid to TRS subsequent to the measurement date	593,939	-
Total	$ 600,677	$ (18,004,484)

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

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

Year Ended June 30:		OPEB Expense Amount
2019	$	2,374,823
2020		2,374,823
2021		2,374,823
2022		2,374,823
2023		2,376,457
Thereafter		6,121,997
	$	17,997,746

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, 2018, June 30, 2017 and June 30, 2016, the subsidy payments received by TRS-Care on behalf of the District were $273,587, $259,228, and $326,221, 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.

Note 13 - Risk Management (continued)

Health Insurance (continued)

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

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2018	$ -	$ -	$ -	$ -
2017	-	2,640	2,640	-
2016	-	18,673	18,673	-

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.

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:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2018	$ 219,274	$ 251,809	$ 217,983	$ 253,100
2017	168,631	347,179	296,536	219,274
2016	283,346	218,342	333,057	168,631

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	$ 96,261
5800 State revenue distributed by TEA	38,589
	$ 134,850
Expenditures	
6100 Payroll costs	$ 134,850
	$ 134,850

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, 2018.

Note 17 - Contracted Instructional Services between Schools

During the year ended June 30, 2018, the District purchased attendance credits to equalize its wealth per weighted average daily attendance ("WADA") in the amount of $2,681,025.

Note 18 - Related Organizations

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

Note 19 - Tax Abatements

Currently, the District has three (3) active Chapter 313 Agreements with corporations for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php. The agreement and all supporting documentation was assigned Texas Comptroller Application number.

The following Chapter 313 Agreements are in effect:

- Gemini HDPE LLC (Application No. 240) first year's value limitation was tax year 2015. The project value's value limitation is $80,000,000, with a total project value of $117,922,080. The applicant's M&O taxes have been reduced by $468,982. However, the District's net benefit to the District was $161,051.

- The Lubrizol Corporation (Application No. 1084) first year's value limitation will be fiscal year 2019. Therefore, there was no current year value limitation, reduction in taxes, or net benefit loss.

- Equistar Chemicals, LP (Application No. 1139) first year's value limitation will be fiscal year 2019. Therefore, there was no current year value limitation, reduction in taxes, or net benefit loss.

Note 20 – Prior Period Adjustment - New Accounting Pronouncement

In the current fiscal year, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* As a result the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflows of resources relating to TRS-Care contributions made after the prior measurement date of the plan as follows:

Beginning Net Position - As Originally Stated	$	141,918,557
Restatement due to:		
Net OPEB liability (measurement date as of August 31, 2017)		(75,988,198)
Deferred Outflows:		
District contributions made to TRS-Care during fiscal year		427,798
Beginning Net Position - As Restated	$	66,358,157

REQUIRED SUPPLEMENTARY INFORMATION

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit G-1*

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local revenues	$ 99,520,000	$ 99,580,994	$ 101,101,952	$ 1,520,958
5800	State program revenues	20,672,000	20,672,000	21,401,675	729,675
5900	Federal program revenues	1,402,500	1,471,459	1,709,924	238,465
5020	**Total revenues**	121,594,500	121,724,453	124,213,551	2,489,098
	Expenditures				
	Current:				
0011	Instruction	68,131,011	68,648,379	67,816,642	831,737
0012	Instruction resources and media services	1,381,246	1,385,266	1,231,494	153,772
0013	Curriculum and instructional staff	2,527,816	2,563,257	2,248,067	315,190
0021	Instructional leadership	1,186,488	1,186,488	1,115,765	70,723
0023	School leadership	7,047,625	7,075,270	7,047,882	27,388
0031	Guidance, counseling and evaluation services	6,053,673	6,053,673	5,818,375	235,298
0032	Social work services	105,420	105,420	9,313	96,107
0033	Health services	1,219,525	1,209,125	1,101,504	107,621
0034	Student transportation	4,111,545	4,106,805	3,821,731	285,074
0036	Extracurricular activities	3,152,372	3,175,937	2,733,672	442,265
0041	General administration	3,877,829	3,944,509	3,683,545	260,964
0051	Facilities maintenance and operations	14,874,805	15,386,536	14,926,770	459,766
0052	Security and monitoring services	1,270,967	1,234,967	1,114,714	120,253
0053	Data processing services	2,466,792	2,594,254	2,524,804	69,450
0061	Community services	147,386	148,546	116,084	32,462
	Intergovernmental:				
0091	Contracted instructional services	3,000,000	2,900,000	2,681,025	218,975
0092	Incremental costs related to WADA	10,000	10,000	-	10,000
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	-	125,000	105,775	19,225
0099	Other intergovernmental charges	1,030,000	1,030,000	974,249	55,751
6030	**Total Expenditures**	121,594,500	122,883,432	119,071,411	3,812,021
1100	Excess (deficiency) of revenues over expenditures	-	(1,158,979)	5,142,140	6,301,119
	Other Financing Sources (Uses)				
8949	Other uses - property tax refunds	-	-	(672,992)	(672,992)
7080	**Total other financing sources and uses**	-	-	(672,992)	(672,992)
1200	Net change in fund balances	-	(1,158,979)	4,469,148	5,628,127
0100	**Fund balances - beginning**	74,792,519	74,792,519	74,792,519	
3000	**Fund balances - ending**	$ 74,792,519	$ 73,633,540	$ 79,261,667	$ 5,628,127

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, Child Nutrition Fund, and Debt Service Fund during the fiscal year ended June 30, 2018. During the year ended June 30, 2018, the Board of Trustees approved budget amendments increasing General Fund expenditures in the amount of $1,288,932, Child Nutrition Fund expenditures by $5,943, and Debt Service Fund expenditures by $150,000.

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

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2017. 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.

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit G-3*

Required Supplementary Information

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

Teacher Retirement System of Texas

Last Four Measurement Years (1)

	2017	2016	2015	2014
District's proportion of the net pension liability	0.0781%	0.0775%	0.0696%	0.0516%
District's proportionate share of the net pension liability	$ 24,986,921	$ 29,298,357	$ 24,606,315	$ 13,774,044
State's proportionate share of the net pension liability associated with the District	43,026,809	52,312,335	49,068,900	42,442,667
Total	$ 68,013,730	$ 81,610,692	$ 73,675,215	$ 56,216,711
District's covered payroll (for Measurement Year)	$ 87,438,893	$ 85,274,708	$ 76,516,633	$ 77,730,328
District's proportionate share of the net pension liability as a percentage of it's covered payroll	28.6%	34.4%	32.2%	17.7%
Plan fiduciary net position as a percentage of the total pension liability *	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll *	75.93%	92.75%	91.94%	72.32%

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

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

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.

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit G-4*

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS

Teachers Retirement System of Texas

Last Five Fiscal Years (1)

	2018	2017	2016	2015
Contractually required contributions	$ 2,700,775	$ 2,569,014	$ 2,401,836	$ 1,925,355
Contributions in relation to the contractual required contributions contribution deficiency (excess)	2,700,775	2,569,014	2,401,836	1,925,355
	$ -	$ -	$ -	$ -
District's covered payroll	$ 89,349,610	$ 87,099,420	$ 83,830,839	$ 76,571,211
Contributions as a percentage of covered payroll	3.02%	2.95%	2.87%	2.51%

	2014
Contractually required contributions	$ 1,290,318
Contributions in relation to the contractual required contributions	1,290,318
contribution deficiency (excess)	$ -
District's covered payroll	$ 77,561,287
Contributions as a percentage of covered payroll	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 – Pension Plan

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

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

Changes of Benefit Terms

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

DEER PARK INDEPENDENT SCHOOL DISTRICT ***Exhibit G-5***

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Teacher Retirement System of Texas

Last Measurement Year (1)

	2017
District's proportion of the net OPEB liability	0.0990%
District's proportionate share of the net OPEB liability	$ 43,041,842
State's proportionate share of the net OPEB liability associated with the District	69,937,199
Total	$ 112,979,041
District's covered payroll (for Measurement Year)	$ 87,438,893
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	49.2%
Plan fiduciary net position as a percentage of the total OPEB liability *	0.91%
Plan's net OPEB liability as a percentage of covered payroll *	132.55%

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

Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit G-6*

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS

Teachers Retirement System of Texas

Last Five Fiscal Years (1)

	2018	2017	2016	2015
Contractually required contributions	$ 680,729	$ 513,793	$ 579,676	$ 530,111
Contributions in relation to the contractual required contributions contribution deficiency (excess)	680,729	513,793	579,676	530,111
	$ -	$ -	$ -	$ -
District's covered payroll	$ 89,349,610	$ 87,099,420	$ 83,830,839	$ 76,571,211
Contributions as a percentage of covered payroll	0.76%	0.59%	0.69%	0.69%

	2014
Contractually required contributions	$ 458,708
Contributions in relation to the contractual required contributions	458,708
contribution deficiency (excess)	$ -
District's covered payroll	$ 77,561,287
Contributions as a percentage of covered payroll	0.59%

During the fiscal year 2018, the District adopted GASB Statement No. 75.

Notes to Required Supplementary Information – OPEB

Changes Since the Prior Actuarial Valuation

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

There was a significant plan change adopted in fiscal year ending August 31, 2017:

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

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OTHER SUPPLEMENTARY INFORMATION

DEER PARK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

Data Control Codes		206 ESEA, Title III-B, Education for Homeless Children and Youth	211 ESEA Title I, A - Improving Basic Ed.	224 IDEA B - Formula
	Assets			
1110	Cash and temporary investments	$ -	$ -	$ -
	Receivables:			
1240	Receivables from other governments	4,973	315,538	280,491
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1310	Inventories, at cost	-	-	-
1410	Prepaid items	-	-	-
1000	**Total Assets**	$ 4,973	$ 315,538	$ 280,491
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ -	$ 21,858	$ -
2160	Accrued wages payable	3,186	109,251	215,138
2170	Due to other funds	1,787	184,429	65,353
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	**Total Liabilities**	4,973	315,538	280,491
	Fund Balance:			
	Non-Spendable:			
3410	Inventories	-	-	-
3430	Prepaid items	-	-	-
	Restricted:			
3450	Federal/State funds grant restrictions	-	-	-
	Committed:			
3545	Other purposes	-	-	-
3000	**Total Fund Balances**	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 4,973	$ 315,538	$ 280,491

225	226	240	244	255
IDEA B - Preschool	**IDEA B - Discretionary**	**National School Breakfast and Lunch**	**Vocational Ed. - Basic**	**ESEA Title II, A - Training and Recruiting**
$ -	$ -	$ 375,027	$ -	$ -
8,726	91,954	9,557	-	43,643
-	-	16,977	-	-
-	-	-	-	-
-	-	38,994	-	-
-	-	5,999	-	-
$ 8,726	$ 91,954	$ 446,554	$ -	$ 43,643
$ -	$ -	$ 30,953	$ -	$ 24
5,517	-	339,808	-	33,540
3,209	91,954	9,510	-	10,079
-	-	35	-	-
-	-	8,263	-	-
8,726	91,954	388,569	-	43,643
-	-	38,994	-	-
-	-	5,999	-	-
-	-	12,992	-	-
-	-	-	-	-
-	-	57,985	-	-
$ 8,726	$ 91,954	$ 446,554	$ -	$ 43,643

DEER PARK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

Data Control Codes		263 ESEA Title III, A - English Lang. Acquisition	289 Federally Funded Special Revenue	397 Advanced Placement Incentive
	Assets			
1110	Cash and temporary investments	$ -	$ -	$ -
	Receivables:			
1240	Receivables from other governments	15,939	984,898	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1310	Inventories, at cost	-	-	-
1410	Prepaid items	-	-	-
1000	**Total Assets**	$ 15,939	$ 984,898	$ -
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ 3,362	$ -	$ -
2160	Accrued wages payable	5,949	-	-
2170	Due to other funds	6,628	984,898	-
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	**Total Liabilities**	15,939	984,898	-
	Fund Balance:			
	Non-Spendable:			
3410	Inventories	-	-	
3430	Prepaid items	-	-	
	Restricted:			
3450	Federal/State funds grant restrictions	-	-	-
	Committed:			
3545	Other purposes	-	-	-
3000	**Total Fund Balances**	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 15,939	$ 984,898	$

410	427	429	434	459	461
Instructional Materials Allotment	**Texas Women's University Reading Recovery**	**State Funded Special Revenue Fund**	**SSA - Visually Impaired**	**SSA - Energy for Schools**	**Campus Activity Fund**
$ -	$ 161	$ -	$ 20,407	$ 6,912	$ 646,498
345,240	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	414
-	-	-	-	-	-
-	-	-	-	-	1,666
$ 345,240	$ 161	$ -	$ 20,407	$ 6,912	$ 648,578
$ -	$ -	$ -	$ -	$ -	$ 7,943
16,945	-	-	20,154	-	-
328,295	-	-	253	-	1,601
-	-	-	-	-	-
-	-	-	-	-	-
345,240	-	-	20,407	-	9,544
-	-	-	-	-	-
-	-	-	-	-	1,666
-	161	-	-	6,912	-
-	-	-	-	-	637,368
-	161	-	-	6,912	639,034
$ 345,240	$ 161	$	$ 20,407	$ 6,912	$ 648,578

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Data Control Codes		481 Deer Park Education Foundation	483 Outdoor Learning Centers	Total Nonmajor Governmental Funds
	Assets			
1110	Cash and temporary investments	$ 12,696	$ 1,704	$ 1,063,405
	Receivables:			
1240	Receivables from other governments	-	-	2,100,959
1260	Due from other funds	13,550	-	30,527
1290	Other receivables	-	-	414
1310	Inventories, at cost	-	-	38,994
1410	Prepaid items	-	-	7,665
1000	**Total Assets**	$ 26,246	$ 1,704	$ 3,241,964
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ 25,995	$ -	$ 90,135
2160	Accrued wages payable	-	-	749,488
2170	Due to other funds	115	-	1,688,111
2180	Due to other governments	-	-	35
2300	Unearned revenues	-	-	8,263
2000	**Total Liabilities**	26,110	-	2,536,032
	Fund Balance:			
	Non-Spendable:			
3410	Inventories	-	-	38,994
3430	Prepaid items	-	-	7,665
	Restricted:			
3450	Federal/State funds grant restrictions	136	1,704	21,905
	Committed:			
3545	Other purposes	-	-	637,368
3000	**Total Fund Balances**	136	1,704	705,932
4000	**Total Liabilities and Fund Balances**	$ 26,246	$ 1,704	$ 3,241,964

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, 2018

Data Control Codes		206 ESEA, Title III-B, Education for Homeless Children and Youth	211 ESEA Title I, A - Improving Basic Ed.	224 IDEA B - Formula
	Revenues			
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	24,935	1,418,518	1,792,966
5020	**Total Revenues**	24,935	1,418,518	1,792,966
	Expenditures			
	Current:			
0011	Instruction	-	1,086,599	1,509,812
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	217,621	-
0023	School leadership	-	12,426	-
0031	Guidance, counseling and evaluation services	-	-	283,154
0035	Food service	-	-	-
0051	Facilities maintenance and operations	-	-	-
0053	Data processing services	-	-	-
0061	Community services	24,935	101,872	-
6030	**Total Expenditures**	24,935	1,418,518	1,792,966
1100	expenditures	-	-	-
1200	Net change in fund balances	-	-	-
0100	**Fund balance - July 1 (beginning)**	-	-	-
3000	**Fund balance - June 30 (ending)**	$ -	$ -	$ -

225	226	240	244	255
IDEA B - Preschool	**IDEA B - Discretionary**	**National School Breakfast and Lunch**	**Vocational Ed. - Basic**	**ESEA Title II, A - Training and Recruiting**
$ -	$ -	$ 2,701,421	$ -	$ -
-	-	28,686	-	-
44,112	91,954	3,496,651	91,982	257,593
44,112	91,954	6,226,758	91,982	257,593
44,112	91,954	-	91,982	236,017
-	-	-	-	-
-	-	-	-	21,576
-	-	-	-	-
-	-	-	-	-
-	-	6,340,570	-	-
-	-	2,040	-	-
-	-	-	-	-
-	-	-	-	-
44,112	91,954	6,342,610	91,982	257,593
-	-	(115,852)	-	-
-	-	(115,852)	-	-
-	-	173,837	-	-
$ -	$ -	$ 57,985	$ -	$

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, 2018

Data Control Codes		263 ESEA Title III, A - English Lang. Acquisition	289 Federally Funded Special Revenue	397 Advanced Placement Incentive
	Revenues			
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -
5800	State program revenues	-	-	1,140
5900	Federal program revenues	179,060	1,014,026	-
5020	**Total Revenues**	179,060	1,014,026	1,140
	Expenditures			
	Current:			
0011	Instruction	106,365	984,152	1,140
0012	Instruction resources and media services	-	-	-
0013	Curriculum and instructional staff development	72,695	29,874	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0035	Food service	-	-	-
0051	Facilities maintenance and operations	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
6030	**Total Expenditures**	179,060	1,014,026	1,140
1100	expenditures	-	-	-
1200	Net change in fund balances	-	-	-
0100	**Fund balance - July 1 (beginning)**	-	-	-
3000	**Fund balance - June 30 (ending)**	$ -	$ -	$ -

410	427	429	434	459	461
Instructional Materials Allotment	**Texas Women's University Reading Recovery**	**State Funded Special Revenue Fund**	**SSA - Visually Impaired**	**SSA - Energy for Schools**	**Campus Activity Fund**
$ -	$ -	$ -	$ 96,261	$ -	$ 550,150
1,171,786	-	58,596	38,589	-	-
-	-	-	-	-	-
1,171,786	-	58,596	134,850	-	550,150
981,088	-	44,387	134,850	-	297,545
-	-	-	-	-	114,183
190,031	-	6,310	-	-	10,731
-	-	-	-	-	15,034
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
667	-	-	-	-	-
-	-	7,899	-	-	-
1,171,786	-	58,596	134,850	-	437,493
-	-	-	-	-	112,657
-	-	-	-	-	112,657
-	161	-	-	6,912	526,377
$ -	$ 161	$ -	$ -	$ 6,912	$ 639,034

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Data Control Codes		481 Deer Park Education Foundation	483 Outdoor Learning Centers	Total Nonmajor Governmental Funds
	Revenues			
5700	Local, intermediate, and out-of-state	$ 287,953	$ -	$ 3,635,785
5800	State program revenues	-	-	1,298,797
5900	Federal program revenues	-	-	8,411,797
5020	**Total Revenues**	287,953	-	13,346,379
	Expenditures			
	Current:			
0011	Instruction	287,953	-	5,897,956
0012	Instruction resources and media services	-	-	114,183
0013	Curriculum and instructional staff development	-	-	548,838
0023	School leadership	-	-	27,460
0031	Guidance, counseling and evaluation services	-	-	283,154
0035	Food service	-	-	6,340,570
0051	Facilities maintenance and operations	-	-	2,040
0053	Data processing services	-	-	667
0061	Community services	-	-	134,706
6030	**Total Expenditures**	287,953	-	13,349,574
1100	expenditures	-	-	(3,195)
1200	Net change in fund balances	-	-	(3,195)
0100	**Fund balance - July 1 (beginning)**	136	1,704	709,127
3000	**Fund balance - June 30 (ending)**	$ 136	$ 1,704	$ 705,932

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit H-3*

COMBINING STATEMENTS OF NET POSITION

INTERNAL SERVICE FUNDS

June 30, 2018

Data Control Codes		753 Health Insurance Fund	771 Workers' Compensation Fund	775 ECC - Extended Day Care	776 USA Club Swim	Total
	Assets					
	Current assets:					
1110	Cash and cash equivalents	$ 4,094,814	$ 2,325,689	$ 95,940	$ 6,083	$ 6,522,526
	Receivables:					
1260	Due from other funds	25,983	770	1,449	-	28,202
1290	Other receivables	739	547	-	-	1,286
1000	**Total Assets**	$ 4,121,536	$ 2,327,006	$ 97,389	$ 6,083	$ 6,552,014
	Liabilities					
	Current Liabilities:					
2110	Accounts payable	$ -	$ -	$ -	$ 5,282	$ 5,282
2150	Payroll deduction and withholdings payable	18,770	-	-	-	18,770
2160	Accrued wages payable	-	-	28,689	-	28,689
2170	Due to other funds	2,839,944	65	-	129	2,840,138
2200	Accrued expenses	-	253,100	-	-	253,100
2000	**Total Liabilities**	$ 2,858,714	$ 253,165	$ 28,689	$ 5,411	$ 3,145,979
	Net Position					
3900	Unrestricted net position	1,262,822	2,073,841	68,700	672	3,406,035
3000	**Total Net Position**	$ 1,262,822	$ 2,073,841	$ 68,700	$ 672	$ 3,406,035

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, 2018

Data Control Codes		753 Health Insurance Fund	771 Workers' Compensation Fund	775 ECC - Extended Day Care	776 USA Club Swim	Total
	Operating Revenues					
5700	Charges for Services	$ 76,879	$ 664,675	$ 292,120	$ 128,901	$ 1,162,575
5020	**Total Operating Revenues**	76,879	664,675	292,120	128,901	1,162,575
	Operating Expenses					
6100	Payroll costs	84,663	57,396	210,280	46,204	398,543
6200	Purchased and contracted services	21,504	-	-	72,774	94,278
6300	Supplies and materials	-	-	13,140	3,938	17,078
6400	Claims expense and other operating expenses	-	217,983	-	5,313	223,296
6030	**Total Operating Expenses**	106,167	275,379	223,420	128,229	733,195
1200	Operating Income (Loss)	(29,288)	389,296	68,700	672	429,380
	Non-Operating Revenues (Expenses)					
7020	Earnings - temporary deposits and investments	59,158	30,393	-	-	89,551
	Total Nonoperating Revenues	59,158	30,393	-	-	89,551
1200	Change in Net Position	29,870	419,689	68,700	672	518,931
0100	**Net Position - July 1 (Beginning)**	1,232,952	1,654,152	-	-	2,887,104
3300	**Net Position - June 30 (Ending)**	$ 1,262,822	$ 2,073,841	$ 68,700	$ 672	$ 3,406,035

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit H-5*

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2018

	753 Health Insurance Fund	771 Workers' Compensation Fund	775 ECC - Extended Day Care	776 USA Club Swim	Total
Cash Flows from Operating Activities:					
Cash received from user charges	$ 77,207	$ 664,463	$ 292,120	$ 128,901	$ 1,162,691
Cash receipts (payments) for interfund services provided	(10,788)	65	(709)	129	(11,303)
Cash payments for insurance claims	-	(217,983)	-	(5,313)	(223,296)
Cash payments to suppliers for goods and services	(16,504)	-	(13,734)	(74,596)	(104,834)
Cash payments to employees	(84,663)	(23,570)	(227,821)	(46,204)	(382,258)
Net Cash Provided by (Used for) Operating Activities	(34,748)	422,975	49,856	2,917	441,000
Cash Flows from Investing Activities:					
Interest on investments	59,158	30,393	-	-	89,551
Net Cash Provided by (Used for) Investing Activities	59,158	30,393	-	-	89,551
Net Decrease in Cash and Cash Equivalents	24,410	453,368	49,856	2,917	530,551
Cash and Cash Equivalents at Beginning of Year	4,070,404	1,872,321	46,084	3,166	5,991,975
Cash and Cash Equivalents at End of Year	$ 4,094,814	$ 2,325,689	$ 95,940	$ 6,083	$ 6,522,526
Reconciliation to Balance Sheet					
Cash and Cash Equivalents Per Cash Flow	$ 4,094,814	$ 2,325,689	$ 95,940	$ 6,083	$ 6,522,526
Cash and Cash Equivalents per Balance Sheet	$ 4,094,814	$ 2,325,689	$ 95,940	$ 6,083	$ 6,522,526
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	$ (29,288)	$ 389,296	$ 68,700	$ 672	$ 429,380
Change in Assets and Liabilities:					
Decrease (increase) in Interfund Receivables	-	-	(709)	-	(709)
Decrease (increase) in Other Receivables	328	(212)	-	-	116
Decrease (increase) in Prepaid Items	5,000	-	-	116	5,116
Increase (decrease) in Accounts Payable	-	-	(594)	2,000	1,406
Increase (decrease) in Interfund Payable	(10,788)	65	-	129	(10,594)
Increase (decrease) in Accrued Wages Payable	-	-	(17,541)	-	(17,541)
Increase (decrease) in Claims Payable	-	33,826	-	-	33,826
Net Cash Provided by (Used for) Operating Activities	$ (34,748)	$ 422,975	$ 49,856	$ 2,917	$ 441,000

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-6

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

Data Control Codes		848 Employee Scholarship Fund	849 Student Loan Fund	Total Private Purpose Trust Funds
	Assets			
1110	Cash and cash equivalents	$ 112,690	$ -	$ 112,690
	Receivables:			
1290	Other receivables		5,126	5,126
1000	**Total Assets**	112,690	5,126	117,816
	Liabilities			
2110	Accounts payable	-	-	-
2000	**Total Liabilities**	-	-	-
	Net Position			
3800	Restricted	$ 112,690	$ 5,126	$ 117,816

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit H-7

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2018

	848 Employee Scholarship Fund	849 Student Loan Fund	Total Private Purpose Trust Funds
Additions			
Gifts and contributions	$ 22,843	$ -	$ 22,843
Total additions	22,843	-	22,843
Deductions			
Non-operating expenses	20,926	-	20,926
Total deductions	20,926	-	20,926
Change in net position	1,917	-	1,917
Net position beginning of year	110,773	5,126	115,899
Net position end of year	$ 112,690	$ 5,126	$ 117,816

REQUIRED TEA SCHEDULES

DEER PARK INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended June 30, 2018

	1	2	3	10
	Tax Rates		Net Assessed/Appraised	Beginning
Last Ten Fiscal Years	**Maintenance**	**Debt Service**	**Value For School Tax Purposes**	**Balance 7/01/2017**
2009 and prior	Various	Various	Various	$ 540,944
2010	1.106700	0.260000	7,002,985,805	118,717
2011	1.106700	0.290000	6,487,707,562	84,833
2012	1.106700	0.290000	6,762,334,288	94,224
2013	1.236700	0.290000	7,105,010,873	161,121
2014	1.236700	0.320000	7,427,867,476	83,618
2015	1.236700	0.320000	7,632,051,262	243,925
2016	1.236700	0.320000	7,667,554,057	1,282,527
2017	1.236700	0.320000	7,728,830,796	1,915,889
2018	1.236700	0.320000	7,899,177,876	-
1000 **Totals**				$ 4,525,798

Penalty and interest receivable on taxes

Total taxes receivable per Exhibit C-1

20	31	32	40	50
Current Year's Total Levy	**Maintenance Total Collections**	**Debt Service Total Collections**	**Entire Year's Adjustments**	**Ending Balance 6/30/2018**
$	$ 5,523	$ 1,298	$ (35,438)	$ 498,685
	692	163	1,078	118,940
	1,650	432	(403)	82,348
	4,773	1,251	(440)	87,760
	11,097	2,602	18,850	166,272
	15,442	3,621	27,197	91,752
	25,458	6,587	13,586	225,466
	76,101	19,691	2,080	1,188,815
	117,505	30,405	(1,464,753)	303,226
122,966,502	96,797,727	25,046,715	-	1,122,060
$ 122,966,502	$ 97,055,968	$ 25,112,765	$ (1,438,243)	3,885,324
				2,171,901
				$ 6,057,225

DEER PARK INDEPENDENT SCHOOL DISTRICT *Exhibit J-2*

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION FUND

For the Year Ended June 30, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local revenues	$ 3,199,797	$ 3,199,797	$ 2,701,421	$ (498,376)
5800	State program revenues	30,000	30,000	28,686	(1,314)
5900	Federal program revenues	4,184,009	4,184,009	3,496,651	(687,358)
5020	**Total Revenues**	7,413,806	7,413,806	6,226,758	(1,187,048)
	Expenditures				
	Current:				
0035	Food services	7,410,306	7,416,249	6,340,570	1,075,679
0051	Facilities maintenance and operations	3,500	3,500	2,040	1,460
6030	**Total Expenditures**	7,413,806	7,419,749	6,342,610	1,077,139
1100	Excess (deficiency) of revenues over expenditures	-	(5,943)	(115,852)	(109,909)
1200	Net change in fund balances	-	(5,943)	(115,852)	(109,909)
0100	**Fund balances - beginning**	173,837	173,837	173,837	
3000	**Fund balances - ending**	$ 173,837	$ 167,894	$ 57,985	$ (109,909)

DEER PARK INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended June 30, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local and intermediate sources	$ 23,595,000	$ 23,745,000	$ 25,454,138	$ 1,709,138
5800	State program revenues	320,000	320,000	316,909	(3,091)
5900	Federal program revenues	565,000	565,000	584,774	19,774
5020	**Total Revenues**	24,480,000	24,630,000	26,355,821	1,725,821
	Expenditures				
	Current:				
	Debt Service:				
0071	Principal on long-term debt	15,175,000	15,175,000	15,175,000	-
0072	Interest on long-term debt	9,275,000	9,135,000	9,128,237	6,763
0073	Bond issuance costs and fees	30,000	320,000	249,283	70,717
6030	**Total Expenditures**	24,480,000	24,630,000	24,552,520	77,480
1100	Excess (deficiency) of revenues over expenditures	-	-	1,803,301	1,803,301
	Other Financing Sources (Uses)				
7901	Refunding bonds issued	-	-	17,970,000	17,970,000
7916	Premium or discount on issuance of bonds	-	-	3,328,718	3,328,718
8949	Other uses - property tax refunds	-	-	(174,139)	(174,139)
8949	Other uses - payments to refunded bonds escrow agent	-	-	(21,092,276)	(21,092,276)
7080	**Total other financing sources and uses**	-	-	32,303	32,303
1200	Net change in fund balances	-	-	1,835,604	1,835,604
0100	**Fund balances - beginning**	6,642,882	6,642,882	6,642,882	-
3000	**Fund balances - ending**	$ 6,642,882	$ 6,642,882	$ 8,478,486	$ 1,835,604

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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, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 12, 2018.

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.

To the Board of Trustees
Deer Park Independent School District

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.

Whitley Penn LLP

Houston, Texas
November 12, 2018

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

To the Board of Trustees
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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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, 2018.

To the Board of Trustees
Deer Park Independent School District

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.

Whitley Penn LLP

Houston, Texas
November 12, 2018

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	
Special Education Cluster	
IDEA-B Formula	84.027A
IDEA-B Preschool	84.173A
IDEA-B, High Cost EDI	84.027A
Restart Hurricane Harvey	84.938A
Emergency Impact Aid to LEAs	84.938C

Dollar Threshold Considered Between Type A and Type B Federal Programs	$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

None Reported

III. Federal Awards Findings And Questioned Costs

None reported

DEER PARK INDEPENDENT SCHOOL DISTRICT ***Exhibit K-1***

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
	U.S. Department of Education			
	Passed Through Texas Education Agency:			
17610101101908	*ESEA, Title I, Part A*	211	84.010A	$ 110,301
18610101101908	*ESEA, Title I, Part A*	211	84.010A	1,285,374
18610123101908	*Title I, 1003 School Improvement*	211	84.010A	22,843
	Special Education Cluster:			
176600011019086000	*IDEA-B Formula*	224	84.027A	60,130
186600011019086000	*IDEA-B Formula*	224	84.027A	1,732,836
176610011019086000	*IDEA-B Preschool*	225	84.173A	899
186610011019086000	*IDEA-B Preschool*	225	84.173A	43,212
66001715	*IDEA-B, High Cost EDI*	226	84.027A	91,954
	Total Special Education Cluster			1,929,031
18420006101908	*Carl D. Perkins Basic Grant*	244	84.048A	91,982
18694501101908	*ESEA Title II, Part A, Supporting Effective Teachi*	255	84.367A	257,593
17671001101908	*ESEA Title III , Part A, LEP*	263	84.365A	49,259
18671001101908	*ESEA Title III , Part A, ELA*	263	84.365A	129,802
18680101101908	*Title IV, Part A*	289	84.424A	29,874
69551702	*Summer School LEP*	199	84.369A	4,749
51271901	*Emergency Impact Aid to LEAs*	289	84.938C	371,694
18511701101908	*Restart Hurricane Harvey*	289	84.938A	612,458
	Total Passed Through Texas Education Agency			4,894,960
	Passed Through Region 10 Education Service Center:			
15-001	*ESEA. Title X, Part C, Education for the Homeless Children and Youth*	206	84.196	24,935
	Total Passed Through Region 10 Education Service Center			24,935
	Total U.S. Department of Education			4,919,895
	U.S. Department of Agriculture			
	Child Nutrition Cluster:			
	Passed Through Texas Department of Agriculture:			
	Non Cash Assistance (Commodities):			
101-908	*National School Lunch Program*	240	10.555	388,628
	Passed Through Texas Education Agency:			
	Cash Assistance:			
71301801	*National School Lunch Program*	240	10.555	2,302,149
71401801	*School Breakfast Program*	240	10.553	805,874
	Total Child Nutrition Cluster			3,496,651
	Total Department of Agriculture			3,496,651
	Total Expenditures of Federal Awards			$ 8,416,546

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 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, 2018. 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	$ 8,416,546
Federal Revenue Accounted for in Governmental Funds	
Medicaid SHARS	1,642,724
E-Rate Reimbursements	62,451
Interest Rate Subsidy on Build America Bonds	584,774
	2,289,949
Total Federal Revenue - Exhibit C-3	$ 10,706,495

Note 4 - General Fund Expenditures

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

Medicaid SHARS	$	1,642,724
E-Rate Reimbursements		62,451
Summer School LEP (CFDA 84.369A)		4,749
	$	1,709,924

DEER PARK INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2018

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended June 30, 2018 has been prepared to address these requirements.

I. Prior Audit Findings

None Noted

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

The Corrective Action Plan for the year ended June 30, 2018 has been prepared to address these requirements.

I. Corrective Action Plan

Not Applicable

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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.	$24,986,921
SF13	Pension Expense (6147) at fiscal year-end.	