

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2016

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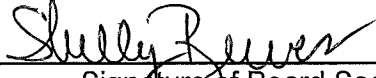
CERTIFICATE OF THE BOARD

Dripping Springs Independent School District
Name of School District

Hays
County

105-904
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved disapproved for the year ended June 30, 2016 at a meeting of the Board of Trustees of such school district on the 24th day of October , 2016.



Signature of Board Secretary



Signature of Board President

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

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
Dripping Springs Independent School District
510 West Mercer Street
Dripping Springs, Texas 78620-0479

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dripping Springs Independent School District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates 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 Supplementary Information 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.

Dripping Springs Independent School District
October 21, 2016

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of Dripping Springs Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Dripping Springs Independent School District's internal control over financial reporting and compliance.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
October 21, 2016

Management's Discussion and Analysis

As management of the Dripping Springs Independent School District ("the District"), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, and net pension liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$61,278,189 (net position). Of this amount, \$22,004,415 (unrestricted net position) is available to meet the District's ongoing obligations to students and creditors in subsequent years.
- The District's total net position increased by \$6,307,720 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$81,604,269, a decrease of \$41,279,703 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was \$19,123,512, or 42 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$7,125,862 (3 percent) during the 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and 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 enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes, intergovernmental revenues, and charges for services. 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, Health Services, Student Transportation, Food Service, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services,*

Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, and Other Intergovernmental Charges.

The government-wide financial statements can be found as noted in the table of contents of this report.

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, as do 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 cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements 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 effect 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 maintained twenty individual governmental funds during the year. 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 capital projects funds, which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary Fund. The District maintains one type of propriety fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its Day Care, Community Education, and School Store operations.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the enterprise funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs and activities. A statement of fiduciary net position and statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report.

Notes to the Basic 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. The notes to the basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$61,278,189, an increase of \$6,307,720 over the preceding year.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 95,210,934	\$ 129,079,002	\$ 849,346	\$ 1,369,374	\$ 96,060,280	\$ 130,448,376
Capital Assets, net of						
Accumulated Depreciation	189,489,243	145,856,639	12,665	15,831	189,501,908	145,872,470
Total Assets	284,700,177	274,935,641	862,011	1,385,205	285,562,188	276,320,846
Total Deferred Outflows of Resources	14,645,749	10,668,408	-	-	14,645,749	10,668,408
Other Liabilities	15,459,483	7,738,900	433,307	427,230	15,892,790	8,166,130
Long-Term Liabilities Outstanding	222,367,022	222,707,248	-	-	222,367,022	222,707,248
Total Liabilities	237,826,505	230,446,148	433,307	427,230	238,259,812	230,873,378
Total Deferred Inflows of Resources	669,936	1,145,407	-	-	669,936	1,145,407
Net Position:						
Net Investment in Capital Assets	28,658,403	24,896,093	12,665	15,831	28,671,068	24,911,924
Restricted	10,602,706	8,030,991	-	-	10,602,706	8,030,991
Unrestricted	21,588,376	21,085,410	416,039	942,144	22,004,415	22,027,554
Total Net Position	\$ 60,849,485	\$ 54,012,494	\$ 428,704	\$ 957,975	\$ 61,278,189	\$ 54,970,469

The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide *Statement of Net Position* of \$61,278,189 at June 30, 2016 results from several factors. The increase in net position resulted primarily from property tax revenue increases, related to increased appraised value.

The largest portion of the District's net position is net investment in capital assets. Investment in capital assets (e.g., land and improvements, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding represent 47 percent of the District's net position. 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. Net position of \$10,602,706, which represents 17 percent of total net position, is restricted for future debt service and grant expenditures. *Unrestricted* net position of \$22,004,415 may be used to meet future obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position for governmental and business-type activities.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program Revenues:						
Charges for Services	\$ 3,764,938	\$ 3,696,076	\$ 1,850,839	\$ 1,627,694	\$ 5,615,777	\$ 5,323,770
Operating Grants and Contributions	5,801,748	3,782,946	-	-	5,801,748	3,782,946
General Revenues:						
Property Taxes, Levied for General Purposes	35,889,958	32,620,462	-	-	35,889,958	32,620,462
Property Taxes, Levied for Debt Service	16,539,835	15,158,719	-	-	16,539,835	15,158,719
Grants and Contributions Not Restricted to Specific Programs	3,762,546	4,589,477	-	-	3,762,546	4,589,477
Investment Earnings	544,111	352,730	-	-	544,111	352,730
Miscellaneous	97,839	212,208	-	-	97,839	212,208
Total Revenues	66,400,975	60,412,618	1,850,839	1,627,694	68,251,814	62,040,312
Expenses:						
Instruction	28,581,571	25,208,596	-	-	28,581,571	25,208,596
Instructional Resources and Media Services	544,547	537,444	-	-	544,547	537,444
Curriculum and Instructional Staff Development	939,525	706,311	-	-	939,525	706,311
Instructional Leadership	545,648	415,798	-	-	545,648	415,798
School Leadership	2,162,654	2,137,334	-	-	2,162,654	2,137,334
Guidance, Counseling, and Evaluation Services	1,438,667	1,184,616	-	-	1,438,667	1,184,616
Health Services	354,853	374,363	-	-	354,853	374,363
Student Transportation	2,027,344	1,779,115	-	-	2,027,344	1,779,115
Food Services	2,490,371	2,460,646	-	-	2,490,371	2,460,646
Cocurricular/Extracurricular Activities	2,698,087	2,722,413	-	-	2,698,087	2,722,413
General Administration	1,938,951	1,639,597	-	-	1,938,951	1,639,597
Plant Maintenance and Operations	6,475,792	6,320,436	-	-	6,475,792	6,320,436
Security and Monitoring Services	199,174	170,539	-	-	199,174	170,539
Data Processing Services	1,070,633	873,446	-	-	1,070,633	873,446
Community Services	263,632	59,641	-	-	263,632	59,641
Interest on Long-term Debt	7,975,199	7,628,495	-	-	7,975,199	7,628,495
Issuance Costs and Fees	11,455	1,469,190	-	-	11,455	1,469,190
Facilities Repair and Maintenance	114,967	20,117	-	-	114,967	20,117
Other Intergovernmental Charges	408,595	405,442	-	-	408,595	405,442
Day Care	-	-	325,520	305,392	325,520	305,392
Community Education	-	-	1,352,958	1,171,547	1,352,958	1,171,547
School Store	-	-	23,951	26,868	23,951	26,868
Total Expenses	60,241,665	56,113,539	1,702,429	1,503,807	61,944,094	57,617,346
Increase in Net Position before Transfers	6,159,310	4,299,079	148,410	123,887	6,307,720	4,422,966
Transfers	677,681	(39,759)	(677,681)	39,759	-	-
Change in Net Position	6,836,991	4,259,320	(529,271)	163,646	6,307,720	4,422,966
Net Position - Beginning	54,012,494	54,048,569	957,975	794,329	54,970,469	54,842,898
Prior Period Adjustment - Implement GASB 68 and 71 for Pensions (a)	-	(4,295,395)	-	-	-	(4,295,395)
Net Position - Beginning, as restated	54,012,494	49,753,174	957,975	794,329	54,970,469	50,547,503
Net Position - Ending	\$ 60,849,485	\$ 54,012,494	\$ 428,704	\$ 957,975	\$ 61,278,189	\$ 54,970,469

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the District implementing GASB Statement No. 68 and 71 in fiscal year 2015.

Governmental Activities. Governmental activities increased the District's net position by \$6,836,991 from current operations. Key elements of this change may be determined from the table above.

The increase in net position resulted primarily from property tax revenue increases, related to increased appraised value.

Revenues, aggregating \$66,400,975, were generated primarily from two sources. Property taxes of \$52,429,793 represent 79 percent of total revenues while grants and contributions (including those not restricted for program-specific use as well as for general operations, totaling \$9,564,294), represent 14 percent of total revenues. The remaining 7 percent is generated from investment earnings, charges for services and miscellaneous revenues.

The primary functional expenses of the District are *Instruction* \$28,581,571, which represents 47 percent of total expenses, Interest on Long-term Debt of \$7,975,199 (13 percent), and Plant Maintenance and Operations of \$6,475,792 (11 percent), while all remaining expense categories are individually 5 percent or less of total expenses.

Business-type activities. Business-type activities increased the District's net position by \$148,410 from operations, and \$677,681 was transferred back to supplement governmental activities. Revenues increased by \$223,145, or 14 percent, primarily due to the increase of community participation in the daycare and community education services provided. Expenditures increased by \$198,622, or 13 percent, which was relative to the increase in revenues.

Financial Analysis of the Government's Funds

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

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$81,604,269, a decrease of \$41,279,703 from the preceding year. Comments as to each individual major fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$19,123,512, while total fund balance was \$24,524,948. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42 percent of total general fund expenditures, while total fund balance represents 54 percent of that same total. The fund balance of the general fund increased \$943,935 during the year, primarily due to the increase in property tax levy due to an increase in appraised values.

The debt service fund ended the year with a total fund balance of \$13,196,070, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$2,504,137 during the year, primarily due to the increase in property levy due to an increase in appraised values.

The capital projects fund has a total fund balance of \$42,433,905. The net decrease in fund balance during the current year in the capital projects fund was \$44,889,602 due to spending bond proceeds on construction projects during the year.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary Funds. The District's proprietary fund financial statements provided the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. There were no significant variations between the original budget and the final amended budget.

There were no significant variations between the final budget and actual results.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2016 was \$189,501,908 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The increase in net investment in capital assets for the current fiscal year was \$43,629,438.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
	Amount	Amount	Amount	Amount	Amount	Amount
Land and Improvements	\$ 8,617,399	\$ 7,440,489	\$ -	\$ -	\$ 8,617,399	\$ 7,440,489
Buildings and Improvements	127,832,189	129,501,157	-	-	127,832,189	129,501,157
Furniture and Equipment	6,633,670	4,805,139	12,665	15,831	6,646,335	4,820,970
Construction in Progress	46,405,985	4,109,854	-	-	46,405,985	4,109,854
Totals	\$ 189,489,243	\$ 145,856,639	\$ 12,665	\$ 15,831	\$ 189,501,908	\$ 145,872,470

Major capital asset activity during the year included the following:

- New elementary school & middle school project costs \$26,872,213.
- Athletic Complex including baseball/softball field costs \$14,133,730.
- New Data Center (NOC) costs \$984,663.
- HVAC and Roof additions/renovations \$2,251,353.
- New vehicles/buses at a cost of \$1,465,936.

Additional information on the District's capital assets can be found in the notes to the financial statements as per the table of contents of this report.

Long-Term Liabilities. At year-end, the District had the following long-term liabilities:

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT'S OUTSTANDING LONG-TERM LIABILITIES

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 211,325,400	95	\$ 218,451,262	98	\$ (7,125,862)	(3)
Notes Payable	2,026,191	1	511,637	-	1,514,554	296
Net Pension Liability	9,015,431	4	3,744,349	2	5,271,082	141
Totals	\$ 222,367,022	100	\$ 222,707,248	100	\$ (340,226)	

The District's total bonded debt decreased by \$7,125,862 (3 percent) during the current fiscal year, which resulted primarily from the scheduled debt payments. The debt is supported by the full faith and credit of the District, as further guaranteed by the Permanent School Fund of the State of Texas. Pension expense increased primarily due to 1) the actual earnings were less than projected, 2) changes in proportion and differences between District contributions and proportionate share of contributions, and 3) pension costs.

State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in the notes to the financial statements as per the table of contents of this report.

Economic Factors and Next Year's Budgets and Tax Rates

- School year (2016-17) student enrollment is 6,000, a 7 percent increase from the preceding year.
- District staff totals 770 employees in 2016-17, of which 354 are teachers and 112 are teacher aides and secretaries.
- The District maintains 5 campuses for student instruction.
- Property values of the District are projected to increase 2% for the 2016-17 year.
- A maintenance and operations tax rate of \$1.17 and a debt service tax rate of \$.35, a total rate of \$1.52, were adopted for 2016-17.

All of these factors and others were considered in preparing the District's budget for the 2016-17 fiscal year.

During 2015-16, fund balance in the general fund increased \$943,935. District Policy requires the District to maintain an assigned and unassigned fund balance each fiscal year end that equals or exceeds the amount necessary to cover four months of the District's average operating expenses for the coming year. The general fund balance increase extends that coverage to more than four months of average operating expenses.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business Operations, Dripping Springs Independent School District, 510 West Mercer Street, Dripping Springs, Texas 78620.

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BASIC FINANCIAL STATEMENTS

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

EXHIBIT A-1

Data Control Codes	Primary Government			
	Governmental Activities	Business-type Activities	Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 4,534,058	\$ 500	\$ 4,534,558
1120	Current Investments	83,776,783	-	83,776,783
1220	Property Taxes Receivables	1,472,876	-	1,472,876
1230	Allowance for Uncollectable Taxes	(322,769)	-	(322,769)
1240	Due from Other Governments	1,049,742	-	1,049,742
1250	Accrued Interest	46,406	-	46,406
1260	Internal Balances	(830,546)	830,546	-
1267	Due From Fiduciary Funds	1,507	-	1,507
1290	Other Receivables	21,207	6,949	28,156
1300	Inventories	271,511	10,482	281,993
1410	Prepaid Items	26,694	869	27,563
1490	Other Current Assets	5,000	-	5,000
1910	Long-Term Investments	5,158,465	-	5,158,465
Capital Assets, Not Being Depreciated:				
1510	Land and Improvements	8,617,399	-	8,617,399
1580	Construction in Progress	46,405,985	-	46,405,985
Capital Assets, Net of Accumulated Depreciation:				
1520	Buildings and Improvements	127,832,189	-	127,832,189
1530	Furniture and Equipment	6,633,670	12,665	6,646,335
1000	Total Assets	<u>284,700,177</u>	<u>862,011</u>	<u>285,562,188</u>
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflows - Pension	5,532,408	-	5,532,408
1710	Deferred Charge on Refunding	9,113,341	-	9,113,341
1700	Total Deferred Outflows of Resources	<u>14,645,749</u>	<u>-</u>	<u>14,645,749</u>
LIABILITIES				
2110	Accounts Payable	5,851,804	28,832	5,880,636
2140	Interest Payable	3,002,925	-	3,002,925
2150	Payroll Deductions and Withholdings	57,297	2,145	59,442
2160	Accrued Wages Payable	3,979,773	148,525	4,128,298
2177	Due to Fiduciary Funds	14,412	-	14,412
2180	Due to Other Governments	283,990	-	283,990
2200	Accrued Liabilities	2,047,300	-	2,047,300
2300	Unearned Revenue	221,982	253,805	475,787
Noncurrent Liabilities:				
2501	Due within One Year	7,288,408	-	7,288,408
2502	Due in More Than One Year	206,063,183	-	206,063,183
2540	Net Pension Liabilities	9,015,431	-	9,015,431
2000	Total Liabilities	<u>237,826,505</u>	<u>433,307</u>	<u>238,259,812</u>
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflows - Pension	669,936	-	669,936
2600	Total Deferred Inflows of Resources	<u>669,936</u>	<u>-</u>	<u>669,936</u>
NET POSITION				
3200	Net Investment in Capital Assets	28,658,403	12,665	28,671,068
3820	Restricted for Grants	1,001,508	-	1,001,508
3850	Restricted for Debt Service	9,601,198	-	9,601,198
3900	Unrestricted	21,588,376	416,039	22,004,415
3000	Total Net Position	<u>\$ 60,849,485</u>	<u>\$ 428,704</u>	<u>\$ 61,278,189</u>

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT B-1

Data Control Codes	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
0011	<i>Instruction</i>	\$ 28,581,571	\$ 890,144	\$ 3,135,492	\$ (24,555,935)	\$ -	\$ (24,555,935)
0012	<i>Instructional Resources and Media Services</i>	544,547	35,787	48,144	(460,616)	-	(460,616)
0013	<i>Curriculum and Instructional Staff Development</i>	939,525	19,444	125,857	(794,224)	-	(794,224)
0021	<i>Instructional Leadership</i>	545,648	-	47,293	(498,355)	-	(498,355)
0023	<i>School Leadership</i>	2,162,654	20,396	164,639	(1,977,619)	-	(1,977,619)
0031	<i>Guidance, Counseling, and Evaluation Services</i>	1,438,667	4,099	338,419	(1,096,149)	-	(1,096,149)
0033	<i>Health Services</i>	354,853	-	25,801	(329,052)	-	(329,052)
0034	<i>Student Transportation</i>	2,027,344	196	117,671	(1,909,477)	-	(1,909,477)
0035	<i>Food Service</i>	2,490,371	2,158,965	448,041	116,635	-	116,635
0036	<i>Cocurricular/Extracurricular Activities</i>	2,698,087	607,899	363,210	(1,726,978)	-	(1,726,978)
0041	<i>General Administration</i>	1,938,951	757	123,724	(1,814,470)	-	(1,814,470)
0051	<i>Plant Maintenance and Operations</i>	6,475,792	26,534	263,994	(6,185,264)	-	(6,185,264)
0052	<i>Security and Monitoring Services</i>	199,174	310	4,960	(193,904)	-	(193,904)
0053	<i>Data Processing Services</i>	1,070,633	-	51,207	(1,019,426)	-	(1,019,426)
0061	<i>Community Services</i>	263,632	407	206,868	(56,357)	-	(56,357)
0072	<i>Interest on Long-term Debt</i>	7,975,199	-	329,222	(7,645,977)	-	(7,645,977)
0073	<i>Issuance Costs and Fees</i>	11,455	-	-	(11,455)	-	(11,455)
0081	<i>Facilities Repair and Maintenance</i>	114,967	-	7,206	(107,761)	-	(107,761)
0099	<i>Other Intergovernmental Charges</i>	408,595	-	-	(408,595)	-	(408,595)
TG	Total Governmental Activities	<u>60,241,665</u>	<u>3,764,938</u>	<u>5,801,748</u>	<u>(50,674,979)</u>	-	<u>(50,674,979)</u>
Business-type Activities							
0001	<i>Day Care</i>	325,520	348,316	-	-	22,796	22,796
0002	<i>Community Education</i>	1,352,958	1,479,411	-	-	126,453	126,453
0003	<i>School Store</i>	23,951	23,112	-	-	(839)	(839)
TB	Total Business-type Activities	<u>1,702,429</u>	<u>1,850,839</u>	<u>-</u>	<u>-</u>	<u>148,410</u>	<u>148,410</u>
TP	Total Primary Government	<u>\$ 61,944,094</u>	<u>\$ 5,615,777</u>	<u>\$ 5,801,748</u>	<u>(50,674,979)</u>	<u>148,410</u>	<u>(50,526,569)</u>
General Revenues							
MT	<i>Property Taxes, Levied for General Purposes</i>				35,889,958	-	35,889,958
DT	<i>Property Taxes, Levied for Debt Services</i>				16,539,835	-	16,539,835
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,762,546	-	3,762,546
IE	<i>Investment Earnings</i>				544,111	-	544,111
MI	<i>Miscellaneous</i>				97,839	-	97,839
FR	<i>Transfers</i>				677,681	(677,681)	-
TR	Total General Revenues and Transfers				<u>57,511,970</u>	<u>(677,681)</u>	<u>56,834,289</u>
CN	Change in Net Position				6,836,991	(529,271)	6,307,720
NB	Net Position - Beginning				54,012,494	957,975	54,970,469
NE	Net Position - Ending				<u>\$ 60,849,485</u>	<u>\$ 428,704</u>	<u>\$ 61,278,189</u>

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016**

<u>Data</u> <u>Control</u> <u>Codes</u>	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>
ASSETS		
1110 <i>Cash and Cash Equivalents</i>	\$ 3,896,284	\$ 264
1120 <i>Current Investments</i>	19,793,434	13,195,806
1220 <i>Property Taxes Receivables</i>	1,029,779	443,097
1230 <i>Allowance for Uncollectable Taxes</i>	(237,367)	(85,402)
1240 <i>Due from Other Governments</i>	323,246	-
1250 <i>Accrued Interest</i>	46,406	-
1260 <i>Due from Other Funds</i>	1,009,758	-
1290 <i>Other Receivables</i>	20,344	-
1300 <i>Inventories</i>	255,091	-
1410 <i>Prepaid Items</i>	26,694	-
1490 <i>Other Current Assets</i>	-	-
1910 <i>Long-term Investments</i>	5,158,465	-
1000 Total Assets	<u>31,322,134</u>	<u>13,553,765</u>
1000a Total Assets and Deferred Outflows of Resources	<u>\$ 31,322,134</u>	<u>\$ 13,553,765</u>
LIABILITIES		
2110 <i>Accounts Payable</i>	\$ 391,189	\$ -
2150 <i>Payroll Deductions and Withholdings</i>	54,045	-
2160 <i>Accrued Wages Payable</i>	3,762,888	-
2170 <i>Due to Other Funds</i>	1,435,405	-
2180 <i>Due to Other Governments</i>	283,970	-
2200 <i>Accrued Liabilities</i>	-	-
2300 <i>Unearned Revenue</i>	77,277	-
2000 Total Liabilities	<u>6,004,774</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
2600 <i>Unavailable Revenue - Property Taxes</i>	792,412	357,695
Total Deferred Inflows of Resources	<u>792,412</u>	<u>357,695</u>
FUND BALANCES		
Nonspendable		
3410 <i>Inventories</i>	255,091	-
3430 <i>Prepaid Items</i>	26,694	-
Restricted For		
3450 <i>Grants</i>	-	-
3470 <i>Capital Acquisitions and Contractual Obligations</i>	-	-
3480 <i>Debt Service</i>	-	13,196,070
Committed To		
3510 <i>Construction</i>	1,222,000	-
3530 <i>Capital Expenditures for Equipment</i>	3,446,255	-
3545 <i>Other</i>	300,000	-
Assigned To:		
3590 <i>Assigned - Other</i>	151,396	-
3600 <i>Unassigned</i>	19,123,512	-
3000 Total Fund Balances	<u>24,524,948</u>	<u>13,196,070</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 31,322,134</u>	<u>\$ 13,553,765</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 20,782	\$ 616,728	\$ 4,534,058
49,832,757	954,786	83,776,783
-	-	1,472,876
-	-	(322,769)
-	726,496	1,049,742
-	-	46,406
1,060	652,919	1,663,737
-	863	21,207
-	16,420	271,511
-	-	26,694
5,000	-	5,000
-	-	5,158,465
<u>49,859,599</u>	<u>2,968,212</u>	<u>97,703,710</u>
\$ <u>49,859,599</u>	\$ <u>2,968,212</u>	\$ <u>97,703,710</u>
\$ 5,378,394	\$ 82,221	\$ 5,851,804
-	3,252	57,297
-	216,885	3,979,773
-	1,071,783	2,507,188
-	20	283,990
2,047,300	-	2,047,300
-	144,705	221,982
<u>7,425,694</u>	<u>1,518,866</u>	<u>14,949,334</u>
-	-	1,150,107
-	-	<u>1,150,107</u>
-	-	255,091
-	-	26,694
-	1,001,508	1,001,508
42,433,905	-	42,433,905
-	-	13,196,070
-	-	1,222,000
-	-	3,446,255
-	447,838	747,838
-	-	151,396
-	-	19,123,512
<u>42,433,905</u>	<u>1,449,346</u>	<u>81,604,269</u>
\$ <u>49,859,599</u>	\$ <u>2,968,212</u>	\$ <u>97,703,710</u>

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**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 81,604,269

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 235,608,103	
Accumulated Depreciation of Governmental Capital Assets	<u>(46,118,860)</u>	189,489,243

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 1,150,107

Long-term liabilities, including bonds payable, notes payable and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds Payable, at Original Par	\$ (193,514,999)	
Premiums on Bonds Payable	(16,849,657)	
Discounts on Bonds Payable	12,761	
Deferred Charge on Refunding Adjustment	9,113,341	
Accreted Interest on Capital Appreciation Bonds	(973,505)	
Accrued Interest on Bonds	(2,979,062)	
Notes Payable	(2,026,191)	
Accrued Interest on Notes	(23,863)	
Net Pension Liability	<u>(9,015,431)</u>	(216,256,606)

Deferred outflows for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. 5,532,408

Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (669,936)

Total Net Position - Governmental Activities (Exhibit A-1) \$ 60,849,485

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Data Control Codes	General Fund	Debt Service Fund
REVENUES		
5700 <i>Local and Intermediate Sources</i>	\$ 37,237,071	\$ 16,700,233
5800 <i>State Program Revenues</i>	5,782,273	329,222
5900 <i>Federal Program Revenues</i>	71,246	-
5020 Total Revenues	43,090,590	17,029,455
EXPENDITURES		
Current		
0011 <i>Instruction</i>	24,085,901	-
0012 <i>Instructional Resources and Media Services</i>	420,855	-
0013 <i>Curriculum and Instructional Staff Development</i>	722,008	-
0021 <i>Instructional Leadership</i>	494,523	-
0023 <i>School Leadership</i>	1,934,397	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	1,036,657	-
0033 <i>Health Services</i>	317,741	-
0034 <i>Student Transportation</i>	3,048,383	-
0035 <i>Food Service</i>	-	-
0036 <i>Cocurricular/Extracurricular Activities</i>	1,947,905	-
0041 <i>General Administration</i>	1,739,671	-
0051 <i>Plant Maintenance and Operations</i>	5,897,923	-
0052 <i>Security and Monitoring Services</i>	198,646	-
0053 <i>Data Processing Services</i>	952,619	-
0061 <i>Community Services</i>	84,169	-
Debt Service		
0071 <i>Principal on Long-term Debt</i>	751,073	6,375,000
0072 <i>Interest on Long-term Debt</i>	14,134	8,138,863
0073 <i>Issuance Costs and Fees</i>	-	11,455
Capital Outlay		
0081 <i>Facilities Acquisition and Construction</i>	1,176,911	-
Intergovernmental		
0099 <i>Other Intergovernmental Charges</i>	408,595	-
6030 Total Expenditures	45,232,111	14,525,318
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,141,521)	2,504,137
OTHER FINANCING SOURCES (USES)		
7914 <i>Loan Proceeds</i>	2,265,627	-
7915 <i>Transfers In</i>	905,429	-
8911 <i>Transfers Out</i>	(85,600)	-
7080 Total Other Financing Sources (Uses)	3,085,456	-
1200 Net Change in Fund Balances	943,935	2,504,137
0100 Fund Balances - Beginning	23,581,013	10,691,933
3000 Fund Balances - Ending	\$ 24,524,948	\$ 13,196,070

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 361,018	\$ 3,378,135	\$ 57,676,457
6,365	496,160	6,614,020
-	1,417,183	1,488,429
<u>367,383</u>	<u>5,291,478</u>	<u>65,778,906</u>
9,778	1,645,277	25,740,956
-	58,169	479,024
-	96,605	818,613
-	5,500	500,023
-	19,743	1,954,140
-	243,338	1,279,995
-	-	317,741
-	4,653	3,053,036
-	2,335,586	2,335,586
-	509,349	2,457,254
145	733	1,740,549
177,428	19,465	6,094,816
-	300	198,946
-	-	952,619
-	48,785	132,954
-	-	7,126,073
-	-	8,152,997
-	-	11,455
45,069,634	-	46,246,545
-	-	408,595
<u>45,256,985</u>	<u>4,987,503</u>	<u>110,001,917</u>
<u>(44,889,602)</u>	<u>303,975</u>	<u>(44,223,011)</u>
-	-	2,265,627
-	-	905,429
-	(142,148)	(227,748)
-	(142,148)	2,943,308
(44,889,602)	161,827	(41,279,703)
87,323,507	1,287,519	122,883,972
<u>\$ 42,433,905</u>	<u>\$ 1,449,346</u>	<u>\$ 81,604,269</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT C-3

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2) \$ (41,279,703)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital Assets increased	\$ 48,261,017	
Depreciation Expense	<u>(4,628,413)</u>	43,632,604

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year. (354,840)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,375,000

Issuance of notes payable provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (2,265,627)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 751,073

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in interest reported in the statement of activities consists of the following:

Accrued Interest on Bonds Payable decreased	\$ 65,496	
Interest Accreted on the Capital Appreciation Bonds increased	(26,956)	
Amortization of Bond Premium and Discount	777,818	
Amortization of Deferred Charge on Refunding	(618,956)	
Accrued Interest on Notes Payable increased	<u>(19,604)</u>	177,798

The net change in net pension liability, deferred outflows and deferred inflows is reported in the statement of activities, but does not require the use of current financial resources and, therefore, is not reported as revenue or expenditures in the governmental funds. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ 4,596,297	
Deferred Inflows (Increased) Decreased	475,471	
Net Pension Liability (Increased) Decreased	<u>(5,271,082)</u>	<u>(199,314)</u>

Change in Net Position - Governmental Activities (Exhibit B-1) \$ 6,836,991

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

EXHIBIT D-1

<u>Data Control Codes</u>	<u>Nonmajor Enterprise Funds</u>
ASSETS	
Current Assets	
1110 <i>Cash and Cash Equivalents</i>	\$ 500
1260 <i>Due from Other Funds</i>	837,317
1290 <i>Other Receivables</i>	6,949
1300 <i>Inventories</i>	10,482
1410 <i>Prepaid Items</i>	<u>869</u>
Total Current Assets	<u>856,117</u>
Noncurrent Assets	
Capital Assets	
1530 Furniture and Equipment	15,831
1570 Accumulated Depreciation	<u>(3,166)</u>
Total Noncurrent Assets	<u>12,665</u>
1000 Total Assets	<u>868,782</u>
LIABILITIES	
Current Liabilities	
2110 <i>Accounts Payable</i>	28,832
2150 <i>Payroll Deductions and Withholdings</i>	2,145
2160 <i>Accrued Wages Payable</i>	148,525
2170 <i>Due to Other Funds</i>	6,771
2300 <i>Unearned Revenue</i>	<u>253,805</u>
Total Current Liabilities	<u>440,078</u>
2000 Total Liabilities	<u>440,078</u>
NET POSITION	
3200 <i>Net Investment in Capital Assets</i>	12,665
3900 <i>Unrestricted</i>	416,039
3000 Total Net Position	\$ <u>428,704</u>

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT D-2

<u>Data Control Codes</u>	<u>Nonmajor Enterprise Funds</u>
OPERATING REVENUES	
5700 <i>Local and Intermediate Sources</i>	\$ 1,850,839
5020 Total Operating Revenues	<u>1,850,839</u>
OPERATING EXPENSES	
6100 <i>Payroll Costs</i>	1,281,520
6200 <i>Professional and Contracted Services</i>	280,325
6300 <i>Supplies and Materials</i>	99,814
6400 <i>Other Operating Costs</i>	37,604
6449 <i>Depreciation</i>	3,166
6030 Total Operating Expenses	<u>1,702,429</u>
1100 Operating Income	148,410
7915 <i>Transfers In</i>	85,600
8911 <i>Transfers Out</i>	<u>(763,281)</u>
1200 Change in Net Position	(529,271)
0100 Total Net Position - Beginning	957,975
3000 Total Net Position - Ending	<u><u>\$ 428,704</u></u>

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT D-3

	<u>Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services Provided	\$ 2,406,987
Cash Payments for Goods and Services	(147,286)
Cash Payments for Employees	(1,582,020)
Net Cash Provided (Used) by Operating Activities	<u>677,681</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	85,600
Transfers to Other Funds	(763,281)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(677,681)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning	500
Cash and Cash Equivalents - Ending	<u>\$ 500</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income	\$ 148,410
Depreciation Expense	3,166
Change in Assets and Liabilities:	
Decrease in Due from Other Funds	484,349
Decrease in Other Receivables	26,086
Decrease in Inventory	4,336
Increase in Prepaid Items	(869)
Decrease in Accounts Payable	(13,335)
Decrease in Payroll Deductions and Withholdings	(1,019)
Decrease in Accrued Wages Payable	(19,156)
Increase in Due to Other Funds	6,126
Increase in Unearned Revenue	39,587
Net Cash Provided (Used) by Operating Activities	<u>\$ 677,681</u>

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

EXHIBIT E-1

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Fund</u>	<u>865 Agency Fund Student Activity</u>
ASSETS			
1110	<i>Cash and Cash Equivalents</i>	\$ 3,000	\$ 57,564
1120	<i>Current Investments</i>	47,192	-
1260	<i>Due from Other Funds</i>	-	14,412
1000	Total Assets	<u>50,192</u>	<u>\$ 71,976</u>
LIABILITIES			
2170	<i>Due to Other Funds</i>	-	\$ 1,507
2190	<i>Due to Student Groups</i>	-	59,280
2300	<i>Unearned Revenue</i>	-	11,189
2000	Total Liabilities	<u>-</u>	<u>\$ 71,976</u>
NET POSITION			
3800	<i>Held in Trust for Private Purposes</i>	<u>50,192</u>	
3000	Total Net Position	<u>\$ 50,192</u>	

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT E-2

<u>Data Control Codes</u>	810 Private-Purpose Trust Fund Scholarship Fund
ADDITIONS	
5700 <i>Local and Intermediate Sources</i>	\$ 107
Total Additions	<u>107</u>
DEDUCTIONS	
6499 <i>Scholarships</i>	<u>3,501</u>
Total Deductions	<u>3,501</u>
Change in Net Position	(3,394)
Net Position - Beginning	<u>53,586</u>
Net Position - Ending	\$ <u><u>50,192</u></u>

The accompanying notes are an integral part of this statement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide 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 nonfiduciary activities of the primary government (District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately for *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The Dripping Springs 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. 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. The accompanying financial statements present the District.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. 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.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation – Fund Financial Statements - Continued

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 District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

Additionally, the District reports the following fund types:

The *enterprise funds* are proprietary funds used to account for the operations of the District's day care fund, community education fund, and school store.

Private purpose trust funds are used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 required under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary funds have no measurement focus but utilize the accrual basis of accounting for reporting their assets and liabilities.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District, except for certain investment pools and a fully collateralized repurchase agreement, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value. The fully collateralized repurchase agreement is considered a nonparticipating interest-earning investment contract, which is reported at contract value (a cost-based measure).

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

4. Capital Assets - Continued

increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and Improvements	10-50
Furniture and Equipment	5-20

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	<u>Statement of Net Position</u>	<u>Balance Sheet - Governmental Funds</u>	
	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pension Activities	\$ 5,532,408	\$ -	\$ -
Deferred Charge on Refunding	9,113,341	-	-
Total Deferred Outflows of Resources	\$ 14,645,749	\$ -	\$ -
Deferred Inflows of Resources:			
Deferred Inflows from Pension Activities	\$ 669,936	\$ -	\$ -
Unavailable Property Taxes	-	792,412	357,695
Total Deferred Inflows of Resources	\$ 669,936	\$ 792,412	\$ 357,695

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

6. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent or his designee to assign fund balance. The Board may also

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

8. Fund Balance Policies - Continued

assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In the general fund, the District shall maintain at a minimum an assigned and unassigned fund balance equal to or exceeding four months of total annual operating expenditures.

9. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Notes 4.C. and the RSI section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. The District charges funding requirements to pension expense in the government activities and business-type activities as incurred; however, any additional allocation of pension assets, deferred outflows, deferred inflows, and net pension liability is recognized in governmental activities due to the District's policy requiring the general fund to assume responsibility.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to July 1 of each year, the District adopts its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. 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. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. An employee who retires from employment with the District shall be eligible for reimbursement for local leave as long as the employee's retirement is voluntary, i.e., the employee is retiring under the Teacher Retirement System of Texas (TRS) and is not being discharged or nonrenewed. The employee shall be reimbursed for each day of local leave at a rate established by the Board. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee. Per governmental accounting standards, a liability for these amounts is reported in governmental funds only if they have met the District's requirements and State's retirement eligibility requirements. A liability for such amounts is insignificant and has not been included in the financial statements. The District does not have a liability for unpaid vacation at year-end due to the District's policy does not allow a carryover of vacation not taken at June 30.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses - Continued

4. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 enterprise funds are tuition and sales of services provided. Operating expenses for the enterprise funds include payroll cost, professional and contracted services, supplies and materials, depreciation and other operating costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

5. *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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Data Control Codes

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

B. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast/Lunch Program* special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Budgetary Information - Continued

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund.

C. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund	\$ -	\$ -	\$ 151,396
National School Breakfast and Lunch	5,000	-	-
Capital Projects Fund	10,360	-	-
Total Nonmajor Funds	57,913	-	-
Total Encumbrances	\$ 73,273	\$ -	\$ 151,396

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. 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 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.

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. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC; 3)

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations; 8) Commercial paper if it has a stated maturity of 271 days or fewer from the day of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit ratings agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code 2256.0115; 10) Fully collateralized repurchase agreements permitted by Government Code 2256.011.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

As of June 30, 2016, the District had the following governmental and proprietary fund investments:

	June 30, 2016	Fair Value Measurements Using			Percent of Total Investments	Weighted Average Maturity (Days)	Weighted Average Credit Risk
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Investments Measured at Cost:							
Fully Collateralized Repurchase Agreement	\$ 49,764,864	\$ -	\$ -	\$ -	56%	1	Not Rated
Investments Measured at Amortized Cost:							
Investment Pools							
Texpool - LGIP	2,555,814	-	-	-	3%	46	AAAm*
Texas DAILY	4,130,949	-	-	-	5%	45	AAAm*
Investments Measured at Net Asset Value (NAV):							
Investment Pools							
Texas CLASS	13,756,472	-	-	-	15%	56	AAAm*
Texstar	67,893	-	-	-	0%	47	AAAm*
Texas TERM	13,000,000	-	-	-	15%	72	AAA*
Investments Measured at Fair Value:							
Money Market Mutual Funds	4,791	4,791	-	-	0%	1	Not Rated
Certificates of Deposit	5,654,465	-	5,654,465	-	6%	625	Not Rated
Total Value	\$ 88,935,248	\$ 4,791	\$ 5,654,465	\$ -	100%		
Portfolio Weighted Average Maturity						63	

*Standard & Poor's Rating

Fully Collateralized Repurchase Agreement is reported at contract value, a cost-based measure.

Investment Pools are measured at amortized cost or net asset value (NAV) and are exempt for fair value reporting.

Money Market Mutual Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Certificates of Deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Texpool and Texas DAILY investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool and Texas DAILY have a redemption notice period of one day and no maximum transaction amounts. The

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments - Continued

investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The Texas CLASS, TexStar and Texas TERM investment pools are external investment pools measured at their net asset value. Texas CLASS, TexStar and Texas TERM's strategy are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. Texas CLASS, TexStar and Texas TERM have a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Credit risk. At year-end, the District's investments with ratings are included in the table above. Certificates of deposit are fully insured through FDIC. The fully collateralized repurchase agreement is collateralized with U.S. Federal Agency and Federal Mortgage-Backed Securities held by the District's agent bank in the District's name. The credit risk for investments was acceptable per legal guidelines prescribed in both the PFIA and the District's investment policy.

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 any internally created pool to no more than 180 days, and any other individual investment not to exceed three years from the time of purchase, unless specifically authorized by the Board of Trustees.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, District's bank balances of \$4,817,792 were not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are in the District's name or held by the District's agent in the District's name.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Receivables

Tax revenues of the general and debt service fund are reported net of estimated uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$	47,634
Uncollectibles Related to Debt Service Property Taxes		<u>8,107</u>
	\$	<u>55,741</u>

Approximately 29% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund balances as of June 30, 2016, is as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 1,009,758	\$ 1,435,405
Capital Projects Fund	1,060	-
Nonmajor Governmental Funds	<u>652,919</u>	<u>1,071,783</u>
Total Governmental Funds	<u>1,663,737</u>	<u>2,507,188</u>
Proprietary Funds:		
Nonmajor Enterprise Funds	<u>837,317</u>	<u>6,771</u>
Total Proprietary Funds	<u>837,317</u>	<u>6,771</u>
Fiduciary Funds:		
Agency Funds	<u>14,412</u>	<u>1,507</u>
Total Fiduciary Funds	<u>14,412</u>	<u>1,507</u>
Total - All Funds	<u>\$ 2,515,466</u>	<u>\$ 2,515,466</u>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll 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.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund Receivables, Payables, and Transfers - Continued

2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s transfers for the year ended June 30, 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 905,429	\$ 85,600
National School Breakfast and Lunch Program	-	142,148
Nonmajor Enterprise Funds	85,600	763,281
Totals	\$ 991,029	\$ 991,029

Transfers from the National School Breakfast and Lunch Program and Community Education Fund to the general fund are to reimburse the general fund for indirect costs associated with utilities and administration. Transfers between the general fund and nonmajor enterprise funds are to supplement operations.

D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers, Adjustments and Dispositions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 7,440,489	\$ 1,176,910	\$ -	\$ 8,617,399
Construction in Progress	4,109,854	44,290,242	(1,994,111)	46,405,985
<i>Total Capital Assets, not being Depreciated</i>	<u>11,550,343</u>	<u>45,467,152</u>	<u>(1,994,111)</u>	<u>55,023,384</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	163,712,272	-	1,994,111	165,706,383
Furniture and Equipment	12,084,471	2,793,865	-	14,878,336
<i>Total Capital Assets, being Depreciated</i>	<u>175,796,743</u>	<u>2,793,865</u>	<u>1,994,111</u>	<u>180,584,719</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(34,211,115)	(3,663,079)	-	(37,874,194)
Furniture and Equipment	(7,279,332)	(965,334)	-	(8,244,666)
<i>Total Accumulated Depreciation</i>	<u>(41,490,447)</u>	<u>(4,628,413)</u>	<u>-</u>	<u>(46,118,860)</u>
Total Capital Assets, being Depreciated, net	<u>134,306,296</u>	<u>(1,834,548)</u>	<u>1,994,111</u>	<u>134,465,859</u>
Governmental Activities Capital Assets, net	\$ <u>145,856,639</u>	\$ <u>43,632,604</u>	\$ <u>-</u>	\$ <u>189,489,243</u>
<u>Business-type Activities:</u>				
Capital Assets, being Depreciated:				
Furniture and Equipment	\$ 15,831	-	-	\$ 15,831
<i>Total Capital Assets, being Depreciated</i>	<u>15,831</u>	<u>-</u>	<u>-</u>	<u>15,831</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	-	(3,166)	-	(3,166)
<i>Total Accumulated Depreciation</i>	<u>-</u>	<u>(3,166)</u>	<u>-</u>	<u>(3,166)</u>
Business-type Activities Capital Assets, net	\$ <u>15,831</u>	\$ <u>(3,166)</u>	\$ <u>-</u>	\$ <u>12,665</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets - Continued

Depreciation expense of the governmental activities and the business-type activities was charged to functions/programs of the District as follows:

Governmental Activities:		
11 Instruction		\$ 2,487,933
12 Instructional Resources and Media Services		46,316
13 Curriculum and Instructional Staff Development		79,151
21 Instructional Leadership		48,347
23 School Leadership		188,944
31 Guidance, Counseling, and Evaluation Services		123,762
33 Health Services		30,722
34 Student Transportation		295,196
35 Food Service		225,826
36 Cocurricular/Extracurricular Activities		237,591
41 General Administration		168,278
51 Plant Maintenance and Operations		572,148
52 Security and Monitoring Services		19,236
53 Data Processing Services		92,108
61 Community Services		12,855
Total Depreciation Expense-Governmental Activities		\$ 4,628,413
Business-type Activities:		
Community Education		\$ 3,166
Total Depreciation Expense-Business-type Activities		\$ 3,166

Construction Commitments

The District has active construction projects as of June 30, 2016. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
HVAC & Roof Renovations - Walnut Springs ES & Dripping Springs MS	\$ 593,134	\$ 1,592,127
Dripping Springs Elementary and Middle School - New Instructional Facilities	28,105,197	25,436,278
Athletic Stadium Improvements, Baseball/Softball Complex, Network Operating Center	16,702,351	8,209,344
Totals	\$ 45,400,682	\$ 35,237,749

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, notes payable and net pension liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 199,889,999	\$ -	\$ (6,375,000)	\$ 193,514,999	\$ 6,570,000
Accreted Interest on Capital					
Appreciation Bonds	946,549	26,956	-	973,505	-
Less Deferred Amounts:					
For Issuance Premiums	17,635,535	-	(785,878)	16,849,657	-
For Issuance Discounts	(20,821)	-	8,060	(12,761)	-
Total Bonds Payable, net	218,451,262	26,956	(7,152,818)	211,325,400	6,570,000
Notes Payable	511,637	2,265,627	(751,073)	2,026,191	718,408
Net Pension Liability	3,744,349	6,696,212	(1,425,130)	9,015,431	-
Total Long-term Liabilities	\$ 222,707,248	\$ 8,988,795	\$ (9,329,021)	\$ 222,367,022	\$ 7,288,408

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 7-30 year current interest or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate Payable	Amounts Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2007 REF CAB	-	\$ 29,999	2022	\$ 29,999	-	-	\$ 29,999
2008 BLDG	3.00-5.25%	96,170,000	2033	7,215,000	-	(2,290,000)	4,925,000
2010 REF	2.00-4.00%	10,380,000	2021	8,355,000	-	(570,000)	7,785,000
2012A REF	2.00-3.00%	8,785,000	2026	8,475,000	-	(100,000)	8,375,000
2012A REF CAB	-	20,000	2019	20,000	-	-	20,000
2013 REF	1.125-5.00%	15,500,000	2030	14,090,000	-	(1,720,000)	12,370,000
2014 BLDG & REF	2.00-5.00%	163,475,000	2044	161,705,000	-	(1,695,000)	160,010,000
Totals				\$ 199,889,999	\$ -	\$ (6,375,000)	\$ 193,514,999

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal Value At Maturity</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 6,570,000	\$ 7,957,650	\$ 14,527,650
2018	6,810,000	7,744,800	14,554,800
2019	6,690,000	7,503,975	14,193,975
2020	6,270,000	8,124,850	14,394,850
2021	7,810,000	7,128,075	14,938,075
2022	9,289,999	7,112,402	16,402,401
2023	7,900,000	6,403,250	14,303,250
2024	8,260,000	6,019,150	14,279,150
2025	8,630,000	5,634,975	14,264,975
2026	9,045,000	5,232,500	14,277,500
2027	9,475,000	4,810,175	14,285,175
2028	9,655,000	4,363,750	14,018,750
2029	10,040,000	3,983,750	14,023,750
2030	10,435,000	3,580,900	14,015,900
2031	10,880,000	3,146,725	14,026,725
2032	9,695,000	2,735,000	12,430,000
2033	10,095,000	2,347,200	12,442,200
2034	3,320,000	1,943,400	5,263,400
2035	3,490,000	1,777,400	5,267,400
2036	3,670,000	1,602,900	5,272,900
2037	3,840,000	1,419,400	5,259,400
2038	3,995,000	1,265,800	5,260,800
2039	4,160,000	1,106,000	5,266,000
2040	4,330,000	939,600	5,269,600
2041	4,505,000	766,400	5,271,400
2042	4,690,000	586,200	5,276,200
2043	4,880,000	398,600	5,278,600
2044	5,085,000	203,400	5,288,400
Totals	\$ 193,514,999	\$ 105,838,227	\$ 299,353,226

As of June 30, 2016, the District did not have any authorized but unissued bonds.

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements. As of June 30, 2016, the outstanding defeased bonds are noted below:

2007	General Obligation Bonds (maturing 2021-2023, callable February 15, 2017)	\$ 4,590,000
2008	General Obligation Bonds (maturing 2019-2033, callable February 15, 2017)	73,780,000
Totals		\$ 78,370,000

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-term Liabilities - Continued

Notes Payable

The District issued notes to provide new buses for pupil transportation. The following is a summary of changes in the note payable for the fiscal year:

<u>Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
School Bus Note Agreement (1)*	2.22%	\$ 688,499	2018	\$ 511,637	-	\$ (166,751)	\$ 344,886
School Bus Note Agreement (2)*	2.47%	584,742	2018	-	584,742	(150,684)	434,058
School Bus Note Agreement (3)*	2.51%	692,428	2019	-	692,428	(178,804)	513,624
Technology Equipment Note (1)*	2.09%	988,457	2018	-	988,457	(254,834)	733,623
Totals				\$ 511,637	\$ 2,265,627	\$ (751,073)	\$ 2,026,191

* The notes payable above are secured by a first lien on the assets purchased with the loan proceeds, which includes school buses and computer equipment.

Annual debt service requirements to maturity for the note payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 718,408	\$ 46,799	\$ 765,207
2018	735,036	30,220	765,256
2019	572,747	14,299	587,046
Totals	\$ 2,026,191	\$ 91,318	\$ 2,117,509

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General Fund

Instructional Materials	\$ 300,000
Total Committed for Other Purposes	\$ 300,000

Total Nonmajor Funds

Campus Activities	\$ 447,838
Total Committed for Other Purposes	\$ 447,838

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Revenues from Local and Intermediate Sources

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Property Taxes	\$ 36,127,018	\$ 16,657,615	\$ -	\$ -	\$ 52,784,633
Charges for Services	830,388	-	-	2,934,550	3,764,938
Investment Earnings	156,468	42,618	341,662	3,363	544,111
Other	123,197	-	19,356	440,222	582,775
Totals	\$ 37,237,071	\$ 16,700,233	\$ 361,018	\$ 3,378,135	\$ 57,676,457

NOTE 4. OTHER INFORMATION

A. Risk Management

Workers' Compensation and Property/Liability Losses

The District participates in the Texas Association of School Boards Risk Management Fund ("Fund") Workers' Compensation and Property/Liability Program. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its coverages and transfers the risk to the Fund. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the pool. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care Coverage

During the year ended June 30, 2016, the District contributed a premium of \$225 per month per employee towards the cost of health care for those who elected to participate in the TRS health care plan.

B. Litigation and Contingencies

The District is a defendant in a legal claim arising principally in its normal course of operations. Although the outcome of the lawsuit is not presently determinable, in the opinion of the District's counsel, the resolution of this matter will not have a material adverse effect on the District's financial position.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2016, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the Texas Education Agency of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of services 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

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

	2016	2015	2014
Member	7.2%	6.7%	6.4%
Non-Employer Contribution Entity (State)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2016 are as follows:

District Contributions	\$	807,576
Member Contributions		2,206,757
NECE On-behalf Contributions (State)		1,679,904

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

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

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

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post-employment Benefit Changes	None

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

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION – CONTINUED

C. Defined Benefit Pension Plan - Continued

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	-	-	2.2%
Alpha	-	-	1.0%
Totals	<u><u>100.0%</u></u>		<u><u>8.7%</u></u>

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric means.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION – CONTINUED

C. Defined Benefit Pension Plan - Continued

The following table presents the District’s proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District’s proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS	\$ 1,412,481	\$ 9,015,431	\$ 4,759,077

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

At June 30, 2016, the District reported a liability of \$9,015,431 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 are as follows:

District’s Proportionate Share of the Net Pension Liability	\$ 9,015,431
State’s Proportionate Share of the Net Pension Liability Associated with the District	18,646,405
Total	\$ <u>27,661,836</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the employer’s proportion of the collective net pension liability was .0255043%, which was an increase of .0114865% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation

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

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,464,685 and revenue of \$2,656,813 for support provided by the state.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

At June 30, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actuarial Economic Experience	\$ -	\$ 346,471
Changes of Assumptions	-	321,631
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,220,300	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	2,624,910	1,834
District Contributions after Measurement Date	687,198	-
Totals	\$ 5,532,408	\$ 669,936

\$687,198 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, 2016. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2017	\$ 823,115
2018	823,115
2019	823,115
2020	1,109,222
2021	335,878
Thereafter	<u>260,829</u>
Total	\$ <u>4,175,274</u>

D. School District Retiree Health Plan

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

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

D. School District Retiree Health Plan - Continued

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

Contribution Rates and Contribution Amounts

<u>Year</u>	<u>Active Member</u>		<u>State</u>		<u>School District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2016	0.65%	\$ 201,430	1.00%	\$ 303,223	0.55%	\$ 170,441
2015	0.65%	\$ 183,831	1.00%	\$ 275,588	0.55%	\$ 155,549
2014	0.65%	\$ 168,816	1.00%	\$ 232,745	0.55%	\$ 142,844

In addition, the State of Texas contributed \$94,405, \$85,781, and \$72,512 in 2016, 2015, and 2014, respectively, for on-behalf payments for Medicare Part D. For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

E. Nonmonetary Transactions

During 2016, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$228,213. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$228,213 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

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REQUIRED SUPPLEMENTARY INFORMATION

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and Intermediate Sources	\$ 36,429,871	\$ 36,917,895	\$ 37,237,071	\$ 319,176
5800	State Program Revenues	4,782,676	5,787,971	5,782,273	(5,698)
5900	Federal Program Revenues	179,952	190,952	71,246	(119,706)
5020	Total Revenues	<u>41,392,499</u>	<u>42,896,818</u>	<u>43,090,590</u>	<u>193,772</u>
EXPENDITURES					
Current					
0011	Instruction	23,788,948	24,737,107	24,085,901	651,206
0012	Instructional Resources and Media Services	450,713	456,554	420,855	35,699
0013	Curriculum and Instructional Staff Development	820,541	764,685	722,008	42,677
0021	Instructional Leadership	537,394	514,845	494,523	20,322
0023	School Leadership	2,068,905	1,972,387	1,934,397	37,990
0031	Guidance, Counseling, and Evaluation Services	929,214	1,043,264	1,036,657	6,607
0033	Health Services	367,477	342,137	317,741	24,396
0034	Student Transportation	2,015,174	3,424,214	3,048,383	375,831
0036	Cocurricular/Extracurricular Activities	1,921,242	2,106,096	1,947,905	158,191
0041	General Administration	1,547,122	1,721,745	1,739,671	(17,926)
0051	Plant Maintenance and Operations	6,150,664	6,707,598	5,897,923	809,675
0052	Security and Monitoring Services	123,268	209,396	198,646	10,750
0053	Data Processing Services	974,565	1,028,310	952,619	75,691
0061	Community Services	28,949	93,935	84,169	9,766
Debt Service					
0071	Principal on Long-term Debt	-	751,073	751,073	-
0072	Interest on Long-term Debt	-	14,134	14,134	-
Capital Outlay					
0081	Facilities Acquisition and Construction	91,060	1,191,060	1,176,911	14,149
Intergovernmental					
0099	Other Intergovernmental Charges	400,000	410,000	408,595	1,405
6030	Total Expenditures	<u>42,215,236</u>	<u>47,488,540</u>	<u>45,232,111</u>	<u>2,256,429</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(822,737)</u>	<u>(4,591,722)</u>	<u>(2,141,521)</u>	<u>2,450,201</u>
OTHER FINANCING SOURCES (USES)					
7914	Loan Proceeds	-	2,218,443	2,265,627	47,184
7915	Transfers In	37,000	710,000	905,429	195,429
8911	Transfers Out	(80,000)	(80,000)	(85,600)	(5,600)
7080	Total Other Financing Sources (Uses)	<u>(43,000)</u>	<u>2,848,443</u>	<u>3,085,456</u>	<u>237,013</u>
1200	Net Change in Fund Balance	(865,737)	(1,743,279)	943,935	2,687,214
0100	Fund Balance - Beginning	23,581,013	23,581,013	23,581,013	-
3000	Fund Balance - Ending	\$ 22,715,276	\$ 21,837,734	\$ 24,524,948	\$ 2,687,214

See accompanying notes to the required supplementary information.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF A COST-SHARING
MULTIPLE-EMPLOYER PENSION PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015***

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.0255043%	0.0140178%
District's Proportionate Share of the Net Pension Liability	\$ 9,015,431	\$ 3,744,349
State's Proportionate Share of the Net Pension Liability Associated with the District	18,646,405	15,412,537
Total	<u>\$ 27,661,836</u>	<u>\$ 19,156,886</u>
District's Covered-Employee Payroll	\$ 28,723,431	\$ 26,319,795
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	31.39%	14.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

* The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31, of the prior year.
Ten years of data is not available.

See accompanying notes to the required supplementary information.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE
 TEACHER RETIREMENT SYSTEM PENSION PLAN (TRS)
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015***

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
TRS		
Contractually Required Contributions	\$ 807,576	\$ 687,849
Contributions in Relation to the Contractually Required Contributions	<u>(807,576)</u>	<u>(687,849)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>
 District's Covered-Employee Payroll	 \$ 30,989,263	 \$ 28,281,694
 Contribution as a Percentage of Covered- Employee Payroll	 2.61%	 2.43%

* The amounts presented for the fiscal year were determined as of the District's fiscal year end June 30.
 Ten years of data is not available.

See accompanying notes to the required supplementary information.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1. BUDGET

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than June 19 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Variances with Final Budget

The District's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period. Final differences between the final and original budget were not significant.

The District's final general fund budget did not vary significantly from actual expenditures.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations per the functions (the legal level of budgetary control) in the following funds:

Fund	Function	Final Budget	Actual	Variance
General Fund	41	\$ 1,721,745	\$ 1,739,671	\$ (17,926)

The District incurred unanticipated legal costs after the final budget amendment was approved.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 2. PENSION

TRS - Actuarial Assumptions for Contribution Rate

Actuarial Assumptions – The information presented in the preceding table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation Date	August 31, 2015
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	33 Years
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Inflation	2.50%
Salary Increases	3.50% to 9.50% including Inflation
Investment Rate of Return	8.00%
Ad Hoc Post-employment Benefit Changes	None
Benefit Changes During the Year	None

SUPPLEMENTARY INFORMATION

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2016**

Data Control Codes	211	224	225
	ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool
ASSETS			
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -	\$ -
1120 <i>Current Investments</i>	-	-	-
1240 <i>Due from Other Governments</i>	134,695	516,860	1,224
1260 <i>Due from Other Funds</i>	-	-	-
1290 <i>Other Receivables</i>	-	178	124
1300 <i>Inventories</i>	-	-	-
1000 Total Assets	<u>\$ 134,695</u>	<u>\$ 517,038</u>	<u>\$ 1,348</u>
LIABILITIES			
2110 <i>Accounts Payable</i>	\$ -	\$ 1,423	\$ -
2150 <i>Payroll Deductions and Withholdings</i>	346	1,197	-
2160 <i>Accrued Wages Payable</i>	23,613	74,759	-
2170 <i>Due to Other Funds</i>	110,736	439,659	1,348
2180 <i>Due to Other Governments</i>	-	-	-
2300 <i>Unearned Revenue</i>	-	-	-
2000 Total Liabilities	<u>134,695</u>	<u>517,038</u>	<u>1,348</u>
FUND BALANCES			
Restricted For			
3450 <i>Grants</i>	-	-	-
Committed To			
3545 <i>Other</i>	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 134,695</u>	<u>\$ 517,038</u>	<u>\$ 1,348</u>

240	244	255	263	289	392
National School Breakfast & Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement	Title VI, Part A, Summer School LEP	Noneducationa I Community - Based Support
\$ 616,728	\$ -	\$ -	\$ -	\$ -	\$ -
954,786	-	-	-	-	-
-	28,178	27,976	13,897	-	3,666
9,647	-	-	-	2,226	-
541	-	-	-	-	-
16,420	-	-	-	-	-
<u>\$ 1,598,122</u>	<u>\$ 28,178</u>	<u>\$ 27,976</u>	<u>\$ 13,897</u>	<u>\$ 2,226</u>	<u>\$ 3,666</u>
\$ 27,202	\$ -	\$ 2,206	\$ -	\$ -	\$ -
1,489	-	-	193	-	5
103,242	-	-	13,409	-	356
447,277	28,178	25,770	295	-	3,284
-	-	-	-	-	-
83,808	-	-	-	2,226	-
<u>663,018</u>	<u>28,178</u>	<u>27,976</u>	<u>13,897</u>	<u>2,226</u>	<u>3,645</u>
935,104	-	-	-	-	21
-	-	-	-	-	-
935,104	-	-	-	-	21
<u>\$ 1,598,122</u>	<u>\$ 28,178</u>	<u>\$ 27,976</u>	<u>\$ 13,897</u>	<u>\$ 2,226</u>	<u>\$ 3,666</u>

Continued

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2016**

Data Control Codes	397	410	461
ASSETS	Advanced Placement Incentives	State Textbook Fund	Campus Activity Fund
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ -	\$ -
1120 <i>Current Investments</i>	-	-	-
1240 <i>Due from Other Governments</i>	-	-	-
1260 <i>Due from Other Funds</i>	1,549	-	507,028
1290 <i>Other Receivables</i>	-	-	-
1300 <i>Inventories</i>	-	-	-
1000 Total Assets	\$ 1,549	\$ -	\$ 507,028
LIABILITIES			
2110 <i>Accounts Payable</i>	\$ -	\$ -	\$ 42,406
2150 <i>Payroll Deductions and Withholdings</i>	-	-	22
2160 <i>Accrued Wages Payable</i>	-	-	1,506
2170 <i>Due to Other Funds</i>	-	-	15,236
2180 <i>Due to Other Governments</i>	-	-	20
2300 <i>Unearned Revenue</i>	-	-	-
2000 Total Liabilities	-	-	59,190
FUND BALANCES			
Restricted For			
3450 <i>Grants</i>	1,549	-	-
Committed To			
3545 <i>Other</i>	-	-	447,838
3000 Total Fund Balances	1,549	-	447,838
4000 Total Liabilities and Fund Balances	\$ 1,549	\$ -	\$ 507,028

481	483	484	491	499	
San Marcos Civic Foundation	DSISD Education Foundation Grant #1	Lefevre Grant	DSISD Education Foundation Grant #2	Locally Funded Special Revenue Funds	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 616,728
-	-	-	-	-	954,786
-	-	-	-	-	726,496
-	61,974	3,989	61,293	5,213	652,919
-	-	-	-	20	863
-	-	-	-	-	16,420
<u>\$ -</u>	<u>\$ 61,974</u>	<u>\$ 3,989</u>	<u>\$ 61,293</u>	<u>\$ 5,233</u>	<u>\$ 2,968,212</u>
\$ -	\$ 7,989	\$ 303	\$ 692	\$ -	\$ 82,221
-	-	-	-	-	3,252
-	-	-	-	-	216,885
-	-	-	-	-	1,071,783
-	-	-	-	-	20
-	53,985	3,686	-	1,000	144,705
-	61,974	3,989	692	1,000	1,518,866
-	-	-	60,601	4,233	1,001,508
-	-	-	-	-	447,838
-	-	-	60,601	4,233	1,449,346
<u>\$ -</u>	<u>\$ 61,974</u>	<u>\$ 3,989</u>	<u>\$ 61,293</u>	<u>\$ 5,233</u>	<u>\$ 2,968,212</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Data Control Codes</u>	211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool
REVENUES			
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-	-
5900 <i>Federal Program Revenues</i>	<u>175,300</u>	<u>762,754</u>	<u>1,425</u>
5020 <i>Total Revenues</i>	<u>175,300</u>	<u>762,754</u>	<u>1,425</u>
EXPENDITURES			
Current			
0011 <i>Instruction</i>	175,300	508,117	1,425
0012 <i>Instructional Resources and Media Services</i>	-	-	-
0013 <i>Curriculum and Instructional Staff Development</i>	-	9,767	-
0021 <i>Instructional Leadership</i>	-	5,500	-
0023 <i>School Leadership</i>	-	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	239,370	-
0034 <i>Student Transportation</i>	-	-	-
0035 <i>Food Service</i>	-	-	-
0036 <i>Cocurricular/Extracurricular Activities</i>	-	-	-
0041 <i>General Administration</i>	-	-	-
0051 <i>Plant Maintenance and Operations</i>	-	-	-
0052 <i>Security and Monitoring Services</i>	-	-	-
0061 <i>Community Services</i>	-	-	-
6030 <i>Total Expenditures</i>	<u>175,300</u>	<u>762,754</u>	<u>1,425</u>
Excess (Deficiency) of Revenues Over			
1100 <i>(Under) Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
8911 <i>Transfers Out</i>	<u>-</u>	<u>-</u>	<u>-</u>
7080 <i>Total Other Financing Sources</i>	<u>-</u>	<u>-</u>	<u>-</u>
1200 <i>Net Change in Fund Balances</i>	-	-	-
0100 <i>Fund Balances - Beginning</i>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240	244	255	263	289	392
National School Breakfast & Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement	Title VI, Part A, Summer School LEP	Noneducational Community - Based Support
\$ 2,162,847	\$ -	\$ -	\$ -	\$ -	\$ -
5,992	-	-	-	-	4,889
380,918	27,482	53,844	15,460	-	-
<u>2,549,757</u>	<u>27,482</u>	<u>53,844</u>	<u>15,460</u>	<u>-</u>	<u>4,889</u>
-	27,482	-	14,381	-	3,805
-	-	-	-	-	-
-	-	53,844	1,079	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,335,586	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,063
<u>2,335,586</u>	<u>27,482</u>	<u>53,844</u>	<u>15,460</u>	<u>-</u>	<u>4,868</u>
<u>214,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21</u>
(142,148)	-	-	-	-	-
(142,148)	-	-	-	-	-
72,023	-	-	-	-	21
863,081	-	-	-	-	-
<u>\$ 935,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>

Continued

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

		397	410	461
<u>Data Control Codes</u>		<u>Advanced Placement Incentives</u>	<u>State Textbook Fund</u>	<u>Campus Activity Fund</u>
REVENUES				
5700	<i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ 1,014,255
5800	<i>State Program Revenues</i>	-	483,699	220
5900	<i>Federal Program Revenues</i>	-	-	-
5020	Total Revenues	<u>-</u>	<u>483,699</u>	<u>1,014,475</u>
EXPENDITURES				
Current				
0011	<i>Instruction</i>	1,281	483,699	377,368
0012	<i>Instructional Resources and Media Services</i>	-	-	34,641
0013	<i>Curriculum and Instructional Staff Development</i>	2,244	-	18,821
0021	<i>Instructional Leadership</i>	-	-	-
0023	<i>School Leadership</i>	-	-	19,743
0031	<i>Guidance, Counseling, and Evaluation Services</i>	-	-	3,968
0034	<i>Student Transportation</i>	-	-	190
0035	<i>Food Service</i>	-	-	-
0036	<i>Cocurricular/Extracurricular Activities</i>	-	-	507,272
0041	<i>General Administration</i>	-	-	733
0051	<i>Plant Maintenance and Operations</i>	-	-	18,338
0052	<i>Security and Monitoring Services</i>	-	-	300
0061	<i>Community Services</i>	-	-	394
6030	Total Expenditures	<u>3,525</u>	<u>483,699</u>	<u>981,768</u>
<i>Excess (Deficiency) of Revenues Over</i>				
1100	<i>(Under) Expenditures</i>	<u>(3,525)</u>	<u>-</u>	<u>32,707</u>
OTHER FINANCING SOURCES (USES)				
8911	<i>Transfers Out</i>	-	-	-
7080	Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	(3,525)	-	32,707
0100	Fund Balances - Beginning	5,074	-	415,131
3000	Fund Balances - Ending	<u>\$ 1,549</u>	<u>\$ -</u>	<u>\$ 447,838</u>

481	483	484	491	499	
San Marcos Civic Foundation	DSISD Education Foundation Grant #1	Lefevre Grant	DSISD Education Foundation Grant #2	Locally Funded Special Revenue Funds	Total Nonmajor Funds (See Exhibit C-2)
\$ 5,850	\$ 74,149	\$ 6,989	\$ 106,569	\$ 7,476	\$ 3,378,135
-	-	-	1,360	-	496,160
-	-	-	-	-	1,417,183
<u>5,850</u>	<u>74,149</u>	<u>6,989</u>	<u>107,929</u>	<u>7,476</u>	<u>5,291,478</u>
-	43,734	6,799	-	1,886	1,645,277
-	23,528	-	-	-	58,169
5,850	5,000	-	-	-	96,605
-	-	-	-	-	5,500
-	-	-	-	-	19,743
-	-	-	-	-	243,338
-	-	-	-	4,463	4,653
-	-	-	-	-	2,335,586
-	1,887	190	-	-	509,349
-	-	-	-	-	733
-	-	-	-	1,127	19,465
-	-	-	-	-	300
-	-	-	47,328	-	48,785
<u>5,850</u>	<u>74,149</u>	<u>6,989</u>	<u>47,328</u>	<u>7,476</u>	<u>4,987,503</u>
-	-	-	60,601	-	303,975
-	-	-	-	-	(142,148)
-	-	-	-	-	(142,148)
-	-	-	60,601	-	161,827
-	-	-	-	4,233	1,287,519
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,601</u>	<u>\$ 4,233</u>	<u>\$ 1,449,346</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2016**

EXHIBIT I-1

Data Control Codes	711 DSISD Day Care	712 DSISD Community Education Fund	715 DSISD Tiger Shack	Total Nonmajor Enterprise Funds (See Exhibit D-1)
ASSETS				
Current Assets				
1110	\$ -	\$ 500	\$ -	\$ 500
1260	132,986	695,513	8,818	837,317
1290	-	6,949	-	6,949
1300	-	-	10,482	10,482
1410	-	869	-	869
	<u>132,986</u>	<u>703,831</u>	<u>19,300</u>	<u>856,117</u>
Noncurrent Assets				
Capital Assets				
1530	-	15,831	-	15,831
1570	-	(3,166)	-	(3,166)
	<u>-</u>	<u>12,665</u>	<u>-</u>	<u>12,665</u>
1000	<u>132,986</u>	<u>716,496</u>	<u>19,300</u>	<u>868,782</u>
LIABILITIES				
Current Liabilities				
2110	292	28,540	-	28,832
2150	511	1,634	-	2,145
2160	35,458	113,067	-	148,525
2170	540	6,228	3	6,771
2300	8,940	244,865	-	253,805
	<u>45,741</u>	<u>394,334</u>	<u>3</u>	<u>440,078</u>
2000	<u>45,741</u>	<u>394,334</u>	<u>3</u>	<u>440,078</u>
NET POSITION				
3200	-	12,665	-	12,665
3900	87,245	309,497	19,297	416,039
3000	<u>\$ 87,245</u>	<u>\$ 322,162</u>	<u>\$ 19,297</u>	<u>\$ 428,704</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT I-2

Data Control Codes	711	712	715	Total Nonmajor Enterprise Funds (See Exhibit D-2)
	DSISD Day Care	DSISD Community Education	DSISD Tiger Shack	
OPERATING REVENUES				
5700 <i>Local and Intermediate Sources</i>	\$ 348,316	\$ 1,479,411	\$ 23,112	\$ 1,850,839
5020 Total Operating Revenues	<u>348,316</u>	<u>1,479,411</u>	<u>23,112</u>	<u>1,850,839</u>
OPERATING EXPENSES				
6100 <i>Payroll Costs</i>	304,856	976,664	-	1,281,520
6200 <i>Professional and Contracted Services</i>	1,494	278,831	-	280,325
6300 <i>Supplies and Materials</i>	16,361	59,502	23,951	99,814
6400 <i>Other Operating Costs</i>	2,809	34,795	-	37,604
6449 <i>Depreciation</i>	-	3,166	-	3,166
6030 Total Operating Expenses	<u>325,520</u>	<u>1,352,958</u>	<u>23,951</u>	<u>1,702,429</u>
1100 Operating Income (Loss)	22,796	126,453	(839)	148,410
7915 <i>Transfers In</i>	-	85,600	-	85,600
8911 <i>Transfers Out</i>	-	<u>(763,281)</u>	-	<u>(763,281)</u>
1200 Change in Net Position	22,796	(551,228)	(839)	(529,271)
0100 Net Position - Beginning	64,449	873,390	20,136	957,975
3000 Net Position - Ending	<u>\$ 87,245</u>	<u>\$ 322,162</u>	<u>\$ 19,297</u>	<u>\$ 428,704</u>

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**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT I-3

	711	712	715	Total Nonmajor Enterprise Funds (See Exhibit D-3)
	DSISD Day Care	DSISD Community Education	DSISD Tiger Shack	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Services Provided	\$ 329,239	\$ 2,058,133	\$ 19,615	\$ 2,406,987
Cash Payments for Goods and Services	(19,123)	(108,548)	(19,615)	(147,286)
Cash Payments for Employees	(310,116)	(1,271,904)	-	(1,582,020)
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>677,681</u>	<u>-</u>	<u>677,681</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	-	85,600	-	85,600
Transfers to Other Funds	-	(763,281)	-	(763,281)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>(677,681)</u>	<u>-</u>	<u>(677,681)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents - Beginning	-	500	-	500
Cash and Cash Equivalents - Ending	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 22,796	\$ 126,453	\$ (839)	\$ 148,410
Depreciation Expense	-	3,166	-	3,166
Change in Assets and Liabilities:				
(Increase) Decrease in Due from Other Funds	(23,517)	511,363	(3,497)	484,349
Decrease in Other Receivables	-	26,086	-	26,086
Decrease in Inventory	-	-	4,336	4,336
Increase in Prepaid Items	-	(869)	-	(869)
Increase (Decrease) in Accounts Payable	47	(13,382)	-	(13,335)
Decrease in Payroll Deductions and Withholdings	(265)	(754)	-	(1,019)
Decrease in Accrued Wages Payable	(3,501)	(15,655)	-	(19,156)
Increase in Due to Other Funds	-	6,126	-	6,126
Increase in Unearned Revenue	4,440	35,147	-	39,587
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ 677,681</u>	<u>\$ -</u>	<u>\$ 677,681</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Year Ended June 30</u>	<u>Tax Rates</u>		<u>Assessed/Appraised Value For School Tax Purposes</u>
	<u>Maintenance</u>	<u>Debt Service</u>	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	1.0400	0.3753	2,058,181,008
2009	1.0400	0.4500	2,365,445,495
2010	1.0400	0.4500	2,705,146,498
2011	1.0400	0.4500	2,689,502,236
2012	1.0400	0.4500	2,789,610,899
2013	1.0400	0.4500	2,636,405,369
2014	1.0400	0.4500	2,758,148,523
2015	1.0400	0.4800	3,082,966,184
2016 (School Year Under Audit)	1.0400	0.4800	3,439,934,671

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

EXHIBIT J-1

<u>Beginning Balance 7/1/15</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 6/30/16</u>
\$ 102,475	\$ -	\$ 695	\$ 151	\$ -	\$ 101,629
21,786	-	97	22	-	21,667
33,020	-	3,476	1,255	1	28,290
33,544	-	1,371	593	(823)	30,757
43,957	-	3,447	1,491	(800)	38,219
49,678	-	4,943	2,138	(1,695)	40,902
89,177	-	16,968	7,342	(1,848)	63,019
137,670	-	40,001	17,307	(2,541)	77,821
1,372,150	-	362,522	167,326	(691,754)	150,548
-	52,287,007	35,488,274	16,379,204	500,495	920,024
<u>\$ 1,883,457</u>	<u>\$ 52,287,007</u>	<u>\$ 35,921,794</u>	<u>\$ 16,576,829</u>	<u>\$ (198,965)</u>	<u>\$ 1,472,876</u>
		\$ -	\$ -		

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT J-2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES					
5700	<i>Local and Intermediate Sources</i>	\$ 1,921,700	\$ 2,163,500	\$ 2,162,847	\$ (653)
5800	<i>State Program Revenues</i>	5,500	11,000	5,992	(5,008)
5900	<i>Federal Program Revenues</i>	285,000	315,000	380,918	65,918
5020	Total Revenues	<u>2,212,200</u>	<u>2,489,500</u>	<u>2,549,757</u>	<u>60,257</u>
EXPENDITURES					
Current					
0035	<i>Food Service</i>	<u>2,270,813</u>	<u>2,390,913</u>	<u>2,335,586</u>	<u>55,327</u>
6030	Total Expenditures	<u>2,270,813</u>	<u>2,390,913</u>	<u>2,335,586</u>	<u>55,327</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,613)</u>	<u>98,587</u>	<u>214,171</u>	<u>115,584</u>
OTHER FINANCING SOURCES (USES)					
8911	<i>Transfers Out</i>	-	(124,000)	(142,148)	(18,148)
7080	Total Other Financing Sources (Uses)	-	(124,000)	(142,148)	(18,148)
1200	Net Change in Fund Balance	(58,613)	(25,413)	72,023	97,436
0100	Fund Balance - Beginning	863,081	863,081	863,081	-
3000	Fund Balance - Ending	<u>\$ 804,468</u>	<u>\$ 837,668</u>	<u>\$ 935,104</u>	<u>\$ 97,436</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT J-3

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	<i>Local and Intermediate Sources</i>	\$ 16,123,058	\$ 16,648,058	\$ 16,700,233	\$ 52,175
5800	<i>State Program Revenues</i>	-	329,000	329,222	222
5020	Total Revenues	<u>16,123,058</u>	<u>16,977,058</u>	<u>17,029,455</u>	<u>52,397</u>
EXPENDITURES					
Debt Service					
0071	<i>Principal on Long-term Debt</i>	6,375,000	6,375,000	6,375,000	-
0072	<i>Interest on Long-term Debt</i>	8,138,863	8,138,863	8,138,863	-
0073	<i>Issuance Costs and Fees</i>	10,000	12,500	11,455	1,045
6030	Total Expenditures	<u>14,523,863</u>	<u>14,526,363</u>	<u>14,525,318</u>	<u>1,045</u>
1200	Net Change in Fund Balance	1,599,195	2,450,695	2,504,137	53,442
0100	Fund Balance - Beginning	<u>10,691,933</u>	<u>10,691,933</u>	<u>10,691,933</u>	-
3000	Fund Balance - Ending	<u>\$ 12,291,128</u>	<u>\$ 13,142,628</u>	<u>\$ 13,196,070</u>	<u>\$ 53,442</u>

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**OVERALL COMPLIANCE, INTERNAL CONTROL SECTION
AND FEDERAL AWARDS**

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

The Board of Trustees of
Dripping Springs Independent School District
510 West Mercer Street
Dripping Springs, Texas 78620-0479

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
October 21, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Trustees of
Dripping Springs Independent School District
510 West Mercer Street
Dripping Springs, Texas 78620-0479

Report on Compliance for Each Major Federal Program

We have audited Dripping Springs Independent School District's (District) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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.

Purpose of this Report

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.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
October 21, 2016

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditor’s report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
FEDERAL AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditor’s report issued on compliance with major programs	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Uniform Guidance	None reported
7. Identification of Major Programs	Child Nutrition Cluster 10.553 and 10.555
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$750,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II –FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	
None reported	

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

PRIOR YEAR FINDINGS

2015-001 DEPOSITORY CONTRACT

Criteria:

In accordance with Texas Education Code 45.208, the bank or banks selected as the depository or depositories and the school district shall enter into a depository contract or contracts or other necessary instruments setting forth the duties and agreements pertaining to the depository, in a form and with the content prescribed by the State Board of Education. The parties shall attach to the contract and incorporate by reference the bid or proposal of the depository.

Condition:

The District's did not obtain a depository contract when establishing a new bank depository account.

Perspective Information:

The District opened a high yield savings account at a depository bank in October 2014 to deposit bond proceeds, and the District did not obtain a depository contract prior to opening the account.

Cause:

Miscommunication between the depository bank and the District on compliance requirements related to depository accounts.

Effect:

The District is not in compliance with Texas Education Code 45.208.

Recommendation:

We recommend the District review its procedures and implement a process to ensure that the District obtains bids and executes a depository contract prior to opening new bank depository accounts.

Status:

In response to the opinion that this account was subject to depository contract stipulations, the District closed all accounts not in compliance with depository contract provisions in October 2015. When new depository accounts are opened in the future, the Assistant Superintendent for Business Services will ensure that those deposits comply with the District's policy and State law governing depositories. The District was in compliance as of June 30, 2016.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

PRIOR YEAR FINDINGS

2015-002 COLLATERALIZATION OF BANK DEPOSITS

Criteria:

In accordance with Local Government Code 2256, bank deposits must be guaranteed or insured by the Federal Deposit Insurance Corporation or collateralized with securities owned by the depository bank, which comply with state requirements.

Condition:

The District's deposits were not adequately collateralized.

Perspective Information:

The District opened a high yield savings account in October 2014 to deposit proceeds from bonds. A custodial tri-party pledge agreement for the account was not executed until August 2015, and the deposits held in the depository account were uncollateralized until that time period.

Cause:

Miscommunication between the depository bank and the District on compliance requirements related to depository accounts.

Effect:

The District is not in compliance with Local Government Code 2256.

Recommendation:

We recommend the District review its procedures and implement a process to ensure that the District's deposits are adequately collateralized and insured.

Status:

The District closed the accounts not in compliance with collateralization requirements in October 2015. When new depositories are opened in the future, the Assistant Superintendent for Business Services will ensure that the deposits are fully collateralized as required. The District was in compliance as of June 30, 2016.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

PRIOR YEAR FINDINGS

2015-003 EXCESS CHILD NUTRITION FUND BALANCE (RECURRING)

DEPARTMENT OF AGRICULTURE

CHILD NUTRITION CLUSTER:

CFDA No. 10.553 School Breakfast Program

CFDA No. 10.555 National School Lunch Program

Passed Through Texas Education Agency NOGA ID No. 71401501 and 71301501

Cash Management

Criteria:

Per CFR 210.19(2), the fund balance of the National School Breakfast and Lunch Program Fund (Child Nutrition) cannot exceed three months of average expenditures.

Condition:

Fund balance in the National School Breakfast and Lunch Program Fund (Child Nutrition) of the District exceeded three months of average expenditures by \$122,335 per the regulation stated above.

Questioned Cost:

None

Perspective Information:

The District's fund balance increased significantly during the fiscal year 2013 and increased in fiscal year 2014.

Cause:

Fiscal year 2015 expenditures did not reduce fund balance below the three months average expenditures.

Effect:

The District is not in compliance with CFR 210.19(2).

Recommendation:

We recommend that the District file a corrective action plan and obtain approval of how the District plans to utilize the Child Nutrition excess funds with the Texas Department of Agriculture.

Status:

The District has an approved plan and continues to work towards meeting a fund balance level that complies with CFR 210.192(2). Funds have been invested in new capital equipment and the District charges an indirect cost rate to the program. The process of spending down fund balance began in the 2014-2015 fiscal year and will take several years to complete. The District estimates bringing down the fund balance to an acceptable level by the fiscal year ending June 30, 2018.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR FINDINGS

None reported

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

EXHIBIT K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	15610101105904	\$ 1,612
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	16610101105904	177,704
Total CFDA 84.010A			<u>179,316</u>
Special Education Cluster (IDEA):			
<i>IDEA - Part B, Formula</i>	84.027A	156600011059046600	39,805
<i>IDEA - Part B, Formula</i>	84.027A	166600011059046600	741,511
<i>IDEA - Part B, Preschool</i>	84.173A	156610011059046610	254
<i>IDEA - Part B, Preschool</i>	84.173A	166610011059046610	1,224
Total Special Education Cluster (IDEA)			<u>782,794</u>
<i>Career and Technology - Basic Grant</i>	84.048A	16420006105904	28,178
<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	84.365A	15671001105904	1,320
<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	84.365A	16671001105904	13,897
Total CFDA 84.365A			<u>15,217</u>
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	15694501105904	11,113
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	16694501105904	43,902
Total CFDA 84.367A			<u>55,015</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,060,520</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00547	78,707
Passed Through State Department of Education - Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401601	58,806
<i>National School Lunch Program</i>	10.555	71301601	238,405
Total Child Nutrition Cluster			<u>375,918</u>
Passed Through State Department of Agriculture - Cash Assistance:			
<i>NSLP Training Assistance Grant</i>	10.560	00547	5,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>380,918</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,441,438</u>

The accompanying notes are an integral part of this schedule.

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Dripping Springs Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Single Audit Act Amendments of 1996 and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

<i>Total Expenditures of Federal Awards per Exhibit K-1</i>	\$ 1,441,438
General Fund - Federal Revenue	
E-Rate	46,991
<i>Total Federal Revenues per Exhibit C-2</i>	<u>\$ 1,488,429</u>

**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2016**

EXHIBIT L-1

<u>Data Control Codes</u>	<u>Responses</u>	
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?	\$ 973,505
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 9,015,431
SF13	Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144).	\$ 807,872