

Dripping Springs Independent School District

Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Dripping Springs Independent School District
 Annual Financial Report
 For the Fiscal Year Ended June 30, 2017
 Table of Contents

Page Exhibit

Certificate of the Board	iii	
--------------------------------	-----	--

Financial Section

Independent Auditor's Report	3	
Management's Discussion and Analysis	7	

Basic Financial Statements

Government-wide Financial Statements:		
Statement of Net Position	17	A-1
Statement of Activities	18	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	20	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26	C-3
Statement of Net Position - Proprietary Fund.....	27	D-1
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	28	D-2
Statement of Cash Flows - Proprietary Funds	29	D-3
Statement of Net Position - Fiduciary Funds.....	30	E-1
Statement of Changes in Net Position - Fiduciary Fund.....	31	E-2
Notes to the Financial Statements	33	

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	58	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System (TRS)	59	G-2
Schedule of the District's Contributions to the Teacher Retirement System Pension Plan (TRS)	60	G-3
Notes to the Required Supplementary Information	61	

Supplementary Information

Combining Funds Financial Statements:		
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds.....	64	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue Funds	68	H-2
Combining Statement of Net Position - Nonmajor Proprietary Funds.....	72	I-1
Combining Statement of Revenues, Expenses, and Changes in Net Position - Nonmajor Proprietary Funds.....	73	I-2
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	74	I-3

Dripping Springs Independent School District

Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Table of Contents - Continued

Page Exhibit

Compliance Schedules:

Schedule of Delinquent Taxes Receivable	76	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – National School Breakfast and Lunch Program	78	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	79	J-3

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 <i>Government Auditing Standards</i>	83	
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	85	
Schedule of Findings and Questioned Costs	87	
Summary Schedule of Prior Audit Findings	88	
Schedule of Expenditures of Federal Awards	89	K-1
Notes to Schedule of Expenditures of Federal Awards	90	
Schedule of Required Responses to Selected School FIRST Indicators (UNAUDITED)	91	L-1

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, 2017 at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2017.

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):

This Page Intentionally Left Blank

Financial Section

This Page Intentionally Left Blank



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 (the District), as of and for the year ended June 30, 2017, 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, 2017, 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 and Other 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 and Schedule of Required Responses to Selected School FIRST Indicators as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

The Board of Trustees of
Dripping Springs Independent School District

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 16, 2017

This Page Intentionally Left Blank

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, 2017. 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 \$68,722,626 (net position). Of this amount, \$27,414,502 (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 \$7,444,437 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$50,675,604, a decrease of \$30,928,665 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was \$24,874,913, or 49 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$7,320,014 (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 Services, 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, Contracted Instructional Services between Schools, and Other Intergovernmental Charges.*

The business-type activities include Day Care, Community Services, and School Store.

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-one 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 eighteen 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 Services, 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 \$68,722,626, an increase of \$7,444,437 over the preceding year.

Dripping Springs Independent School District Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$67,397,659	\$95,210,934	\$ 863,454	\$ 849,346	\$68,261,113	\$96,060,280
Capital assets, net of accumulated depreciation	224,153,447	189,489,243	9,499	12,665	224,162,946	189,501,908
Total assets	291,551,106	284,700,177	872,953	862,011	292,424,059	285,562,188
Total deferred outflows of resources	13,162,061	14,645,749	-	-	13,162,061	14,645,749
Other liabilities	18,598,593	15,459,483	437,791	433,307	19,036,384	15,892,790
Long-term liabilities outstanding	217,266,327	222,367,022	-	-	217,266,327	222,367,022
Total liabilities	235,864,920	237,826,505	437,791	433,307	236,302,711	238,259,812
Total deferred inflows of resources	560,783	669,936	-	-	560,783	669,936
Net position:						
Net investment in capital assets	31,106,498	28,658,403	9,499	12,665	31,115,997	28,671,068
Restricted	10,192,127	10,602,706	-	-	10,192,127	10,602,706
Unrestricted	26,988,839	21,588,376	425,663	416,039	27,414,502	22,004,415
Total net position	\$68,287,464	\$60,849,485	\$ 435,162	\$ 428,704	\$68,722,626	\$61,278,189

The excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide *Statement of Net Position* of \$68,722,626 at June 30, 2017 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, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding represent 45 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 \$10,192,127, which represents 15 percent of total net position, is restricted for future debt service and grant expenditures.

Unrestricted net position of \$27,414,502 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.

Governmental Activities. Governmental activities increased the District's net position by \$7,437,979 from current operations. Key elements of this change may be determined from the table below.

Dripping Springs Independent School District Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenues:						
Charges for services	\$ 4,098,534	\$ 3,764,938	\$ 1,976,802	\$ 1,850,839	\$ 6,075,336	\$ 5,615,777
Operating grants and contributions	5,002,353	5,801,748	-	-	5,002,353	5,801,748
General revenues:						
Property taxes, levied for general purposes	45,815,991	35,889,958	-	-	45,815,991	35,889,958
Property taxes, levied for debt service	13,756,802	16,539,835	-	-	13,756,802	16,539,835
Grants and contributions not restricted to specific programs	4,787,701	3,762,546	-	-	4,787,701	3,762,546
Investment earnings	565,007	544,111	-	-	565,007	544,111
Miscellaneous	308,177	97,839	-	-	308,177	97,839
Total revenues	74,334,565	66,400,975	1,976,802	1,850,839	76,311,367	68,251,814
Expenses:						
Instruction	31,140,150	28,581,571	-	-	31,140,150	28,581,571
Instructional resources and media services	494,331	544,547	-	-	494,331	544,547
Curriculum and instructional staff development	1,087,579	939,525	-	-	1,087,579	939,525
Instructional leadership	684,036	545,648	-	-	684,036	545,648
School leadership	2,618,569	2,162,654	-	-	2,618,569	2,162,654
Guidance, counseling, and evaluation services	1,599,632	1,438,667	-	-	1,599,632	1,438,667
Health services	377,943	354,853	-	-	377,943	354,853
Student transportation	2,324,843	2,027,344	-	-	2,324,843	2,027,344
Food services	2,593,648	2,490,371	-	-	2,593,648	2,490,371
Cocurricular/extracurricular activities	2,667,997	2,698,087	-	-	2,667,997	2,698,087
General administration	2,262,952	1,938,951	-	-	2,262,952	1,938,951
Plant maintenance and operations	6,498,695	6,475,792	-	-	6,498,695	6,475,792
Security and monitoring services	206,950	199,174	-	-	206,950	199,174
Data processing services	1,056,408	1,070,633	-	-	1,056,408	1,070,633
Community services	176,401	263,632	-	-	176,401	263,632
Interest on long-term debt	7,817,620	7,975,199	-	-	7,817,620	7,975,199
Issuance costs and fees	11,750	11,455	-	-	11,750	11,455
Facilities repair and maintenance	109,676	114,967	-	-	109,676	114,967
Contracted instructional services between schools	2,916,983	-	-	-	2,916,983	-
Other intergovernmental charges	437,250	408,595	-	-	437,250	408,595
Day care	-	-	299,801	325,520	299,801	325,520
Community services	-	-	1,470,821	1,352,958	1,470,821	1,352,958
School store	-	-	12,895	23,951	12,895	23,951
Total expenses	67,083,413	60,241,665	1,783,517	1,702,429	68,866,930	61,944,094
Increase in net position before transfers	7,251,152	6,159,310	193,285	148,410	7,444,437	6,307,720
Transfers	186,827	677,681	(186,827)	(677,681)	-	-
Change in net position	7,437,979	6,836,991	6,458	(529,271)	7,444,437	6,307,720
Net position - beginning	60,849,485	54,012,494	428,704	957,975	61,278,189	54,970,469
Net Positon - Ending	\$68,287,464	\$60,849,485	\$ 435,162	\$ 428,704	\$68,722,626	\$61,278,189

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

Revenues, aggregating \$74,334,565, were generated primarily from two sources. Property taxes of \$59,572,793 represent 80 percent of total revenues while grants and contributions (including those not restricted for program-specific use as well as for general operations, totaling \$9,790,054), represent 13 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* \$31,140,150, which represents 46 percent of total expenses, Interest on Long-term Debt of \$7,817,620 (12 percent), and Plant Maintenance and Operations of \$6,498,695 (10 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 \$193,285 from operations, and \$186,827 was transferred back to supplement governmental activities. Revenues increased by \$125,963, or 7 percent, primarily due to the increase of community participation in the daycare and community education services provided. Expenditures increased by \$81,088, or 5 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 \$50,675,604, a decrease of \$30,928,665 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 \$24,874,913, while total fund balance was \$31,323,869. 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 49 percent of total general fund expenditures, while total fund balance represents 62 percent of that same total. The fund balance of the general fund increased \$6,798,921 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 \$12,890,072, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance decreased \$305,998 during the year, primarily due to a decrease in the property tax rate which resulted in a decrease of revenues.

The capital projects fund has a total fund balance of \$4,995,469. The net decrease in fund balance during the current year in the capital projects fund was \$37,438,436 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. The final budgeted expenditures increased by \$6,495,505 primarily due to the issuance of notes payable in the current year for the purchase of new school buses and to budget for the respective principal and interest requirements.

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, 2017 was \$224,162,946 (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 \$34,661,038.

Dripping Springs Independent School District Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	Amount	Amount	Amount	Amount	Amount	Amount
Land and improvements	\$ 8,658,461	\$ 8,617,399	\$ -	\$ -	\$ 8,658,461	\$ 8,617,399
Buildings and improvements	151,700,208	127,832,189	-	-	151,700,208	127,832,189
Furniture and equipment	8,021,320	6,633,670	9,499	12,665	8,030,819	6,646,335
Construction in progress	55,773,458	46,405,985	-	-	55,773,458	46,405,985
Totals	\$ 224,153,447	\$ 189,489,243	\$ 9,499	\$ 12,665	\$ 224,162,946	\$ 189,501,908

Major capital asset activity during the year included the following:

- Athletic Complex including baseball/softball field costs \$5,699,086
- Football Stadium and Field House costs \$18,305,835.
- Network Operating Center (NOC) costs \$1,878,849
- HVAC and Roof additions/renovations \$1,594,840.
- New vehicles/buses at a cost of \$1,686,392.

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					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 204,005,386	94	\$ 211,325,400	95	\$ (7,320,014)	(3)
Notes payable	3,532,726	2	2,026,191	1	1,506,535	74
Net pension liability	9,728,215	4	9,015,431	4	712,784	8
Totals	\$ 217,266,327	100	\$ 222,367,022	100	\$ (5,100,695)	

The District's total bonded debt decreased by \$7,320,014 (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. 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 Note 3.E. in the notes to the financial statements as per the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 4.C. to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- School year (2017-18) student enrollment is 6,437, a 7 percent increase from the preceding year.
- District staff totals 915 employees in 2017-18, of which 407 are teachers and 95 are teacher aides.
- The District maintains 7 campuses for student instruction.
- Property values of the District are projected to increase 11% for the 2017-18 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 2017-18.

All of these factors and others were considered in preparing the District's budget for the 2017-18 fiscal year.

During 2016-17, fund balance in the general fund increased \$6,798,921. 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 Finance and Operations, Dripping Springs Independent School District, 510 West Mercer Street, Dripping Springs, Texas 78620.

This Page Intentionally Left Blank

Basic Financial Statements

This Page Intentionally Left Blank

Dripping Springs Independent School District

Exhibit A-1

Statement of Net Position

June 30, 2017

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
1110	Cash and cash equivalents	\$ 3,463,993	\$ 208,263	\$ 3,672,256
1120	Current investments	57,536,098	-	57,536,098
1220	Property taxes receivables	1,390,835	-	1,390,835
1230	Allowance for uncollectable taxes	(338,177)	-	(338,177)
1240	Due from other governments	1,885,096	-	1,885,096
1250	Accrued interest	67,548	-	67,548
1265	Internal Balances	(637,041)	637,041	-
1290	Other receivables	72,462	8,687	81,149
1300	Inventories	284,380	9,025	293,405
1410	Prepaid items	-	438	438
1910	Long-term investments	3,672,465	-	3,672,465
	Capital assets, not being depreciated:			
1510	Land and improvements	8,658,461	-	8,658,461
1580	Construction in progress	55,773,458	-	55,773,458
	Capital assets, net of accumulated depreciation:			
1520	Buildings and improvements	151,700,208	-	151,700,208
1530	Furniture and equipment	8,021,320	9,499	8,030,819
1000	Total assets	<u>291,551,106</u>	<u>872,953</u>	<u>292,424,059</u>
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred outflows - pension	4,667,676	-	4,667,676
1710	Deferred charge on refunding	8,494,385	-	8,494,385
1700	Total deferred outflows of resources	<u>13,162,061</u>	<u>-</u>	<u>13,162,061</u>
LIABILITIES				
2110	Accounts payable	7,003,909	21,940	7,025,849
2140	Interest payable	2,929,196	-	2,929,196
2150	Payroll deductions and withholdings	63,038	2,516	65,554
2160	Accrued wages payable	4,195,192	162,769	4,357,961
2180	Due to other governments	1,209,514	-	1,209,514
2200	Accrued liabilities	2,996,454	-	2,996,454
2300	Unearned revenue	201,290	250,566	451,856
	Noncurrent liabilities:			
2501	Due within one year	8,375,217	-	8,375,217
2502	Due in more than one year	199,162,895	-	199,162,895
2540	Net pension liabilities	9,728,215	-	9,728,215
2000	Total liabilities	<u>235,864,920</u>	<u>437,791</u>	<u>236,302,711</u>
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred inflows - pension	560,783	-	560,783
2600	Total deferred inflows of resources	<u>560,783</u>	<u>-</u>	<u>560,783</u>
NET POSITION				
3200	Net investment in capital assets	31,106,498	9,499	31,115,997
3820	Restricted for grants	940,164	-	940,164
3850	Restricted for debt service	9,251,963	-	9,251,963
3900	Unrestricted	26,988,839	425,663	27,414,502
3000	TOTAL NET POSITION	<u>\$ 68,287,464</u>	<u>\$ 435,162</u>	<u>\$ 68,722,626</u>

The Notes to the Financial Statements are an integral part of this statement.

Dripping Springs Independent School District

Statements of Activities

For the Fiscal Year Ended August 31, 2017

Data Control Codes	Functions/Programs	Program Revenues		
		Expenses	Charges for Services	Operating Grants and Contributions
	Primary Government			
	Governmental activities			
0011	Instruction	\$ 31,140,150	\$ 892,807	\$ 2,765,224
0012	Instructional resources and media services	494,331	16,590	25,826
0013	Curriculum and instructional staff development	1,087,579	7,781	142,434
0021	Instructional leadership	684,036	-	36,892
0023	School leadership	2,618,569	23,704	157,141
0031	Guidance, counseling, and evaluation services	1,599,632	542	391,058
0033	Health services	377,943	30	22,081
0034	Student transportation	2,324,843	223	77,832
0035	Food service	2,593,648	2,264,043	439,421
0036	Cocurricular/extracurricular activities	2,667,997	801,141	247,264
0041	General administration	2,262,952	148	126,885
0051	Plant maintenance and operations	6,498,695	77,889	173,241
0052	Security and monitoring services	206,950	12,658	778
0053	Data processing services	1,056,408	-	34,642
0061	Community services	176,401	978	73,215
0072	Interest on long-term debt	7,817,620	-	284,629
0073	Issuance costs and fees	11,750	-	3,790
0081	Facilities repair and maintenance	109,676	-	-
0091	Contracted instructional services between schools	2,916,983	-	-
0099	Other intergovernmental charges	437,250	-	-
TG	Total governmental activities	<u>67,083,413</u>	<u>4,098,534</u>	<u>5,002,353</u>
	Business-type activities			
0001	Day Care	299,801	351,376	-
0002	Community services	1,470,821	1,612,576	-
0003	School Store	12,895	12,850	-
TB	Total business-type activities	<u>1,783,517</u>	<u>1,976,802</u>	<u>-</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 68,866,930</u>	<u>\$ 6,075,336</u>	<u>\$ 5,002,353</u>
	General revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt services			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous			
FR	Transfers			
TR	Total general revenues and transfers			
CN	Change in net position			
NB	Net position - beginning			
NE	NET POSITION - ENDING			

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (27,482,119)	\$ -	\$ (27,482,119)
(451,915)	-	(451,915)
(937,364)	-	(937,364)
(647,144)	-	(647,144)
(2,437,724)	-	(2,437,724)
(1,208,032)	-	(1,208,032)
(355,832)	-	(355,832)
(2,246,788)	-	(2,246,788)
109,816	-	109,816
(1,619,592)	-	(1,619,592)
(2,135,919)	-	(2,135,919)
(6,247,565)	-	(6,247,565)
(193,514)	-	(193,514)
(1,021,766)	-	(1,021,766)
(102,208)	-	(102,208)
(7,532,991)	-	(7,532,991)
(7,960)	-	(7,960)
(109,676)	-	(109,676)
(2,916,983)	-	(2,916,983)
(437,250)	-	(437,250)
(57,982,526)	-	(57,982,526)
-	51,575	51,575
-	141,755	141,755
-	(45)	(45)
-	193,285	193,285
(57,982,526)	193,285	(57,789,241)
45,815,991	-	45,815,991
13,756,802	-	13,756,802
4,787,701	-	4,787,701
565,007	-	565,007
308,177	-	308,177
186,827	(186,827)	-
65,420,505	(186,827)	65,233,678
7,437,979	6,458	7,444,437
60,849,485	428,704	61,278,189
\$ 68,287,464	\$ 435,162	\$ 68,722,626

Dripping Springs Independent School District

Balance Sheet – Governmental Funds

June 30, 2017

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS			
1110	Cash and cash equivalents	\$ 2,735,259	\$ 1,281
1120	Current investments	28,065,320	12,908,765
1220	Property taxes receivables	1,037,013	353,822
1230	Allowance for uncollectable taxes	(250,708)	(87,469)
1240	Due from other governments	1,099,088	-
1250	Accrued interest	67,548	-
1260	Due from other funds	2,708,147	-
1290	Other receivables	70,480	-
1300	Inventories	273,006	-
1910	Long-term investments	3,672,465	-
1000	Total assets	<u>39,477,618</u>	<u>13,176,399</u>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 39,477,618</u>	<u>\$ 13,176,399</u>
LIABILITIES			
2110	Accounts payable	\$ 662,148	\$ -
2150	Payroll deductions and withholdings	59,715	-
2160	Accrued wages payable	3,972,265	-
2170	Due to other funds	1,378,136	-
2180	Due to other governments	1,188,740	19,974
2200	Accrued liabilities	89,603	-
2300	Unearned revenue	16,837	-
2000	Total liabilities	<u>7,367,444</u>	<u>19,974</u>
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	786,305	266,353
	Total deferred inflows of resources	<u>786,305</u>	<u>266,353</u>
FUND BALANCES			
3410	Nonspendable - inventories	273,006	-
3450	Restricted - grants	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	12,890,072
3510	Committed - construction	1,153,000	-
3530	Committed - capital expenditures for equipment	4,105,512	-
3545	Committed - other	300,000	-
3590	Assigned - purchases on order	617,438	-
3600	Unassigned	24,874,913	-
3000	Total fund balances	<u>31,323,869</u>	<u>12,890,072</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 39,477,618</u>	<u>\$ 13,176,399</u>

<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 34,541	\$ 692,912	\$ 3,463,993
13,975,448	2,586,565	57,536,098
-	-	1,390,835
-	-	(338,177)
-	786,008	1,885,096
-	-	67,548
141,716	617,989	3,467,852
-	1,982	72,462
-	11,374	284,380
-	-	3,672,465
<u>14,151,705</u>	<u>4,696,830</u>	<u>71,502,552</u>
<u>\$ 14,151,705</u>	<u>\$ 4,696,830</u>	<u>\$ 71,502,552</u>
\$ 6,249,385	\$ 92,376	\$ 7,003,909
-	3,323	63,038
-	222,927	4,195,192
-	2,726,757	4,104,893
-	800	1,209,514
2,906,851	-	2,996,454
-	184,453	201,290
<u>9,156,236</u>	<u>3,230,636</u>	<u>19,774,290</u>
-	-	1,052,658
<u>-</u>	<u>-</u>	<u>1,052,658</u>
-	11,374	284,380
-	940,164	940,164
4,995,469	-	4,995,469
-	-	12,890,072
-	-	1,153,000
-	-	4,105,512
-	514,656	814,656
-	-	617,438
-	-	24,874,913
<u>4,995,469</u>	<u>1,466,194</u>	<u>50,675,604</u>
<u>\$ 14,151,705</u>	<u>\$ 4,696,830</u>	<u>\$ 71,502,552</u>

This Page Intentionally Left Blank

Dripping Springs Independent School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2017

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 50,675,604

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	\$ 275,418,353	
Accumulated depreciation of governmental capital assets	<u>(51,264,906)</u>	224,153,447

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.	1,052,658
---	-----------

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	\$ (186,944,999)	
Premiums on bonds payable	(16,063,779)	
Discounts on bonds payable	4,701	
Deferred charge on refunding adjustment	8,494,385	
Accreted interest on capital appreciation bonds	(1,001,309)	
Accrued interest on bonds	(2,903,153)	
Notes payable	(3,532,726)	
Accrued interest on notes	(26,043)	
Net pension liability	<u>(9,728,215)</u>	(211,701,138)

Deferred outflows of resources 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.	4,667,676
---	-----------

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.	<u>(560,783)</u>
---	------------------

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 68,287,464

Dripping Springs Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES			
5700	Local and intermediate sources	\$ 47,224,320	\$ 13,950,242
5800	State program revenues	6,649,859	283,160
5900	Federal program revenues	184,160	-
5020	Total revenues	<u>54,058,339</u>	<u>14,233,402</u>
EXPENDITURES			
Current:			
0011	Instruction	25,752,687	-
0012	Instructional resources and media services	415,644	-
0013	Curriculum and instructional staff development	863,496	-
0021	Instructional leadership	599,111	-
0023	School leadership	2,226,925	-
0031	Guidance, counseling, and evaluation services	1,055,062	-
0033	Health services	326,284	-
0034	Student transportation	3,612,003	-
0035	Food service	-	-
0036	Cocurricular/extracurricular activities	1,845,699	-
0041	General administration	1,985,447	-
0051	Plant maintenance and operations	5,935,146	-
0052	Security and monitoring services	174,577	-
0053	Data processing services	968,372	-
0061	Community services	19,792	-
Debt service:			
0071	Principal on long-term debt	1,566,903	6,570,000
0072	Interest on long-term debt	64,757	7,957,650
0073	Issuance costs and fees	-	11,750
Capital outlay:			
0081	Facilities acquisition and construction	41,062	-
Intergovernmental:			
0091	Contracted instructional services between schools	2,916,983	-
0099	Other intergovernmental charges	437,250	-
6030	Total expenditures	<u>50,807,200</u>	<u>14,539,400</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>3,251,139</u>	<u>(305,998)</u>
OTHER FINANCING SOURCES (USES)			
7914	Loan proceeds	3,073,438	-
7915	Transfers in	555,094	-
8911	Transfers out	(80,750)	-
7080	Total other financing sources (uses)	<u>3,547,782</u>	<u>-</u>
1200	Net change in fund balances	6,798,921	(305,998)
0100	Fund balances - beginning	<u>24,524,948</u>	<u>13,196,070</u>
3000	FUND BALANCES - ENDING	<u>\$ 31,323,869</u>	<u>\$ 12,890,072</u>

<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 321,510	\$ 3,472,499	\$ 64,968,571
7,005	111,951	7,051,975
249,641	1,641,846	2,075,647
<u>578,156</u>	<u>5,226,296</u>	<u>74,096,193</u>
-	1,450,978	27,203,665
-	19,478	435,122
-	109,146	972,642
-	3,256	602,367
-	22,226	2,249,151
-	279,061	1,334,123
-	28	326,312
-	209	3,612,212
-	2,364,492	2,364,492
-	568,473	2,414,172
-	139	1,985,586
-	9,087	5,944,233
-	11,869	186,446
-	-	968,372
-	69,007	88,799
-	-	8,136,903
-	-	8,022,407
-	-	11,750
38,031,074	-	38,072,136
-	-	2,916,983
-	-	437,250
<u>38,031,074</u>	<u>4,907,449</u>	<u>108,285,123</u>
<u>(37,452,918)</u>	<u>318,847</u>	<u>(34,188,930)</u>
-	-	3,073,438
14,482	-	569,576
-	(301,999)	(382,749)
<u>14,482</u>	<u>(301,999)</u>	<u>3,260,265</u>
(37,438,436)	16,848	(30,928,665)
<u>42,433,905</u>	<u>1,449,346</u>	<u>81,604,269</u>
<u>\$ 4,995,469</u>	<u>\$ 1,466,194</u>	<u>\$ 50,675,604</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 Fiscal Year Ended June 30, 2017

Exhibit C-3

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ (30,928,665)

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 cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital assets increased	\$ 40,030,140	
Depreciation expense	<u>(5,365,936)</u>	34,664,204

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. (97,449)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,570,000

Issuance of notes payable provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (3,073,438)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,566,903

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	\$ 75,909	
Interest accreted on the capital appreciation bonds increased	(27,804)	
Amortization of bond premium and discount	777,818	
Amortization of deferred charge on refunding	(618,956)	
Accrued interest on notes payable increased	<u>(2,180)</u>	204,787

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)	\$ (864,732)	
Deferred inflows (increased) decreased	109,153	
Net pension liability (increased) decreased	<u>(712,784)</u>	<u>(1,468,363)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 7,437,979

The Notes to the Financial Statements are an integral part of this statement.

Dripping Springs Independent School District
 Statement of Net Position
 Proprietary Funds
 June 30, 2017

Exhibit D-1

<u>Data Control Codes</u>		<u>Nonmajor Enterprise Funds</u>
ASSETS		
	Current assets:	
1110	Cash and cash equivalents	\$ 208,263
1260	Due from other funds	789,363
1290	Other receivables	8,687
1300	Inventories	9,025
1410	Prepaid items	438
	Total current assets	<u>1,015,776</u>
	Noncurrent assets:	
	Capital assets	
1530	Furniture and equipment	15,831
1570	Accumulated depreciation	<u>(6,332)</u>
	Total noncurrent assets	<u>9,499</u>
1000	Total assets	<u>1,025,275</u>
LIABILITIES		
	Current liabilities:	
2110	Accounts payable	21,940
2150	Payroll deductions and withholdings	2,516
2160	Accrued wages payable	162,769
2170	Due to other funds	152,322
2300	Unearned revenue	250,566
	Total current liabilities	<u>590,113</u>
2000	Total liabilities	<u>590,113</u>
NET POSITION		
3200	Net investment in capital assets	9,499
3900	Unrestricted	<u>425,663</u>
3000	TOTAL NET POSITION	<u>\$ 435,162</u>

The Notes to the Financial Statements 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 Fiscal Year Ended June 30, 2017

Exhibit D-2

<u>Data Control Codes</u>		<u>Nonmajor Enterprise Funds</u>
OPERATING REVENUES		
5700	Local and Intermediate Sources	\$ 1,976,802
5020	Total operating revenues	<u>1,976,802</u>
OPERATING EXPENSES		
6100	Payroll Costs	1,320,031
6200	Professional and Contracted Services	361,353
6300	Supplies and Materials	60,354
6400	Other Operating Costs	38,613
6449	Depreciation	3,166
6030	Total operating expenses	<u>1,783,517</u>
1100	Operating income	<u>193,285</u>
	Income before contributions and transfers	193,285
7915	Transfers In	80,750
8911	Transfers Out	<u>(267,577)</u>
1200	Change in net position	6,458
0100	Total net position - beginning	<u>428,704</u>
3000	TOTAL NET POSITION - ENDING	<u>\$ 435,162</u>

The Notes to the Financial Statements are an integral part of this statement.

Dripping Springs Independent School District
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit D-3

	Nonmajor Enterprise Funds
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from services provided	\$ 2,165,330
Cash payments for goods and services	(1,666,769)
Cash payments for employees	(103,971)
Net cash provided (used) by operating activities	<u>394,590</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	80,750
Transfers to other funds	(267,577)
Net cash provided (used) by noncapital financing activities	<u>(186,827)</u>
 Net increase (decrease) in cash and cash equivalents	207,763
Cash and cash equivalents - beginning	<u>500</u>
 CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 208,263</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 193,285
Depreciation expense	3,166
Change in assets and liabilities:	
Decrease in due from other funds	47,954
Decrease in other receivables	(1,738)
Decrease in inventory	1,457
Increase in prepaid items	431
Decrease in accounts payable	(6,892)
Decrease in payroll deductions and withholdings	371
Decrease in accrued wages payable	14,244
Increase in due to other funds	145,551
Increase in unearned revenue	(3,239)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 394,590</u>

The Notes to the Financial Statements are an integral part of this statement.

Dripping Springs Independent School District
Statement of Net Position
Fiduciary Funds
June 30, 2017

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	Cash and cash equivalents	\$ -	\$ 83,628
1120	Current investments	43,944	-
1290	Other receivables	3,000	14,619
		<hr/>	<hr/>
1000	TOTAL ASSETS	46,944	\$ 98,247
		<hr/>	<hr/>
	LIABILITIES		
2110	Accounts payable	-	4,989
2190	Due to student groups	-	81,744
2300	Unearned revenue	-	11,514
		<hr/>	<hr/>
2000	TOTAL LIABILITIES	-	\$ 98,247
		<hr/>	<hr/>
	NET POSITION		
3800	Held in trust for private purpose	46,944	
		<hr/>	
3000	TOTAL NET POSITION	\$ 46,944	
		<hr/>	

The Notes to the Financial Statements are an integral part of this statement.

Dripping Springs Independent School District
Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

Exhibit E-2

<u>Data Control Codes</u>		810 Private-Purpose Trust Fund <u>Scholarship Fund</u>
ADDITIONS		
5700	Local and intermediate sources	\$ 252
	Total additions	<u>252</u>
DEDUCTIONS		
6499	Scholarships	3,500
	Total deductions	<u>3,500</u>
	Change in net position	(3,248)
	Net position - beginning	<u>50,192</u>
	NET POSITION - ENDING	<u>\$ 46,944</u>

The Notes to the Financial Statements are an integral part of this statement.

This Page Intentionally Left Blank

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 (the 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 (the District) is governed by a seven-member board of trustees (the 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.

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.

Dripping Springs Independent School District

Notes to the Financial Statements

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 services 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.

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.

Dripping Springs Independent School District

Notes to the Financial Statements

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.

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, 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; i.e. fair value.

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

Dripping Springs Independent School District

Notes to the Financial Statements

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:

	Statement of	Balance Sheet - Governmental Funds	
	Net Position	General	Debt Service
	Governmental	Fund	Fund
	Activities		
Deferred outflows of resources:			
Deferred outflows from pension activities	\$ 4,667,676	\$ -	\$ -
Deferred charge on refunding	8,494,385	-	-
Total deferred outflows of resources	\$ 13,162,061	\$ -	\$ -
Deferred inflows of resources:			
Deferred inflows from pension activities	\$ 560,783	\$ -	\$ -
Unavailable property taxes	-	786,305	266,353
Total deferred inflows of resources	\$ 560,783	\$ 786,305	\$ 266,353

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.
- District contributions after the measurement date which are recognized in the subsequent year.
- 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.

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.

Dripping Springs Independent School District

Notes to the Financial Statements

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 (the Board) 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 has, by policy, authorized the superintendent or his designee to assign fund balance. The Board may also 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 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 Required Supplementary Information 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

Dripping Springs Independent School District

Notes to the Financial Statements

component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred

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 Vacation and Sick

The District has a policy that allows nonexempt employees to accrue vacation days, up to a maximum of fifteen vacation days, for which they can be compensated for at their current daily rate upon separation from or change of employment with the District. 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.

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.

Dripping Springs Independent School District

Notes to the Financial Statements

Note 2. Stewardship, Compliance, and Accountability

A. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA 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 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 legally enacted through passage of a resolution by the Board.

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	\$ -	\$ -	\$ 617,438
Capital Projects Fund	2,916,904	-	-
Total nonmajor funds	119,434	110,892	-
Total encumbrances	\$ 3,036,338	\$ 110,892	\$ 617,438

Dripping Springs Independent School District

Notes to the Financial Statements

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 statistical rating organization (NRSRO) 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) 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 NRSRO; 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.

Dripping Springs Independent School District

Notes to the Financial Statements

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.

As of June 30, 2017, the District had the following governmental and proprietary fund investments:

	Fair Value Measurements Using						
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)	Weighted Average Credit Risk	
Investments measured at amortized cost:							
Investment pools							
Texpool - LGIP	\$ 3,998,945	\$ -	\$ -	7%	38	AAAm*	
Texas DAILY	14,667	-	-	0%	35	AAAm*	
Investments Subject to Fair Value, not subject to level reporting:							
Investment pools							
Texas CLASS	20,095,371	-	-	33%	47	AAAm*	
Texstar	13,975,448	-	-	23%	30	AAAm*	
Texas TERM	19,200,000	-	-	31%	48	AAAf*	
Investments Subject to Fair Value, subject to level reporting:							
Money market mutual funds	251,666	251,666	-	0%	1	Not Rated	
Certificates of deposit	3,672,465	-	3,672,465	6%	260	Not Rated	
Total value	\$ 61,208,562	\$ 251,666	\$ 3,672,465	100%			
Portfolio weighted average maturity					63		

*Standard & Poor's Rating

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. These investment pools have a redemption notice period of one day and no maximum transaction amounts. 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.

The Texas CLASS, TexStar and Texas TERM investment pools are external investment pools measured at fair value, i.e. their net asset value. Such investment pool'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. Such investment pools 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.

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

Dripping Springs Independent School District

Notes to the Financial Statements

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.

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 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, 2017, District's banks' balances of \$4,254,546 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.

B. Receivables

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

Change in uncollectibles related to General Fund property taxes	\$	(13,341)
Change in uncollectibles related to Debt Service property taxes		(2,067)
	\$	<u>(15,408)</u>

Approximately 43% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

Dripping Springs Independent School District
Notes to the Financial Statements

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund balances as of June 30, 2017, is as follows:

	Interfund Receivables	Interfund Payables
Governmental funds:		
General Fund	\$ 2,708,147	\$ (1,378,136)
Debt Service Fund	-	-
Capital Projects Fund	141,716	-
Nonmajor governmental funds	617,989	(2,726,757)
Total governmental funds	<u>3,467,852</u>	<u>(4,104,893)</u>
Proprietary Funds:		
Nonmajor enterprise funds	789,363	(152,322)
Total proprietary funds	<u>789,363</u>	<u>(152,322)</u>
Total - all funds	<u>\$ 4,257,215</u>	<u>\$ (4,257,215)</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.

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, 2017:

Fund	Transfer In	Transfer Out
General Fund	\$ 555,094	\$ 80,750
Capital Projects Fund	14,482	-
Nonmajor - National School Breakfast and Lunch Program	-	301,999
Nonmajor enterprise funds	80,750	267,577
Totals	<u>\$ 650,326</u>	<u>\$ 650,326</u>

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

Dripping Springs Independent School District
Notes to the Financial Statements

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Transfers, Adjustments and Dispositions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 8,617,399	\$ 41,062	\$ -	\$ 8,658,461
Construction in progress	46,405,985	37,936,765	(28,569,292)	55,773,458
Total capital assets, not being depreciated	<u>55,023,384</u>	<u>37,977,827</u>	<u>(28,569,292)</u>	<u>64,431,919</u>
Capital assets, being depreciated:				
Buildings and improvements	165,706,383	-	28,091,900	193,798,283
Furniture and equipment	14,878,336	2,052,313	257,502	17,188,151
Total capital assets, being depreciated	<u>180,584,719</u>	<u>2,052,313</u>	<u>28,349,402</u>	<u>210,986,434</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,874,194)	(4,223,881)	-	(42,098,075)
Furniture and equipment	(8,244,666)	(1,142,055)	219,890	(9,166,831)
Total accumulated depreciation	<u>(46,118,860)</u>	<u>(5,365,936)</u>	<u>219,890</u>	<u>(51,264,906)</u>
Total capital assets, being depreciated, net	<u>134,465,859</u>	<u>(3,313,623)</u>	<u>28,569,292</u>	<u>159,721,528</u>
Governmental activities capital assets, net	<u>\$ 189,489,243</u>	<u>\$ 34,664,204</u>	<u>\$ -</u>	<u>\$ 224,153,447</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 15,831	\$ -	\$ -	\$ 15,831
Total capital assets, being depreciated	<u>15,831</u>	<u>-</u>	<u>-</u>	<u>15,831</u>
Less accumulated depreciation for:				
Furniture and equipment	(3,166)	(3,166)	-	(6,332)
Total accumulated depreciation	<u>(3,166)</u>	<u>(3,166)</u>	<u>-</u>	<u>(6,332)</u>
Total capital assets, being depreciated, net	<u>12,665</u>	<u>(3,166)</u>	<u>-</u>	<u>9,499</u>
Business-type activities capital assets, net	<u>\$ 12,665</u>	<u>\$ (3,166)</u>	<u>\$ -</u>	<u>\$ 9,499</u>

Dripping Springs Independent School District

Notes to the Financial Statements

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	\$ 2,880,746
12 Instructional Resources and Media Services	46,047
13 Curriculum and Instructional Staff Development	102,929
21 Instructional Leadership	63,745
23 School Leadership	238,016
31 Guidance, Counseling, and Evaluation Services	141,183
33 Health Services	34,532
34 Student Transportation	382,261
35 Food Service	250,222
36 Cocurricular/Extracurricular Activities	255,479
41 General Administration	210,124
51 Plant Maintenance and Operations	629,046
52 Security and Monitoring Services	19,731
53 Data Processing Services	102,478
61 Community Services	9,397
Total depreciation expense-governmental activities	<u>\$ 5,365,936</u>
Business-type activities:	
Community Education	\$ 3,166
Total depreciation expense-business-type activities	<u>\$ 3,166</u>

Construction Commitments

The District has active construction projects as of June 30, 2017. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
HVAC & roof renovations - Dripping Springs HS and Dripping Springs MS	\$ 2,042,405	\$ -
Sycamore Springs Elementary and Middle School - new instructional facilities	52,329,100	1,120,840
Roger Hanks Parkway extension	-	673,000
Restroom repairs	55,723	-
New athletic facilities	23,456,500	-
Various purchase orders	-	1,123,064
Totals	<u>\$ 77,883,728</u>	<u>\$ 2,916,904</u>

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

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, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 193,514,999	\$ -	\$ (6,570,000)	\$ 186,944,999	\$ 6,810,000
Accreted interest on capital appreciation bonds	973,505	27,804	-	1,001,309	-
Deferred amounts:					
For issuance premiums	16,849,657	(785,878)	-	16,063,779	-
For issuance discounts	(12,761)	8,060	-	(4,701)	-
Total bonds payable, net	211,325,400	(750,014)	(6,570,000)	204,005,386	6,810,000
Notes payable	2,026,191	3,073,438	(1,566,903)	3,532,726	1,565,217
Net pension liability	9,015,431	712,784	-	9,728,215	-
Governmental activities long-term liabilities	\$ 222,367,022	\$ 3,036,208	\$ (8,136,903)	\$ 217,266,327	\$ 8,375,217

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 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	4,925,000	-	(2,390,000)	2,535,000
2010 REF	2.00-4.00%	10,380,000	2021	7,785,000	-	(580,000)	7,205,000
2012A REF	2.00-3.00%	8,785,000	2026	8,375,000	-	(100,000)	8,275,000
2012A REF CAB	-	20,000	2019	20,000	-	-	20,000
2013 REF	1.125-5.00%	15,500,000	2030	12,370,000	-	(1,765,000)	10,605,000
2014 BLDG & REF	2.00-5.00%	163,475,000	2044	160,010,000	-	(1,735,000)	158,275,000
Totals				\$ 193,514,999	\$ -	\$ (6,570,000)	\$ 186,944,999

Dripping Springs Independent School District

Notes to the Financial Statements

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

Year Ending June 30	Principal Value At Maturity	Interest	Total Requirements
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	\$ 186,944,999	\$ 97,880,577	\$ 284,825,576

As of June 30, 2017, the District did not have any authorized but unissued bonds.

Dripping Springs Independent School District

Notes to the Financial Statements

Notes Payable

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

Issue	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
School bus note agreement (1)*	2.22%	\$ 688,499	2018	\$ 344,886	\$ -	\$ (169,838)	\$ 175,048
School bus note agreement (2)*	2.47%	584,742	2018	434,058	-	(134,739)	299,319
Technology equipment note (1)*	2.09%	988,457	2018	733,623	-	(239,529)	494,094
School bus note agreement (3)*	2.51%	692,428	2019	513,624	-	(164,702)	348,922
Technology equipment note (2)*	2.09%	558,896	2019	-	541,967	(139,724)	402,243
School bus note agreements (4)*	2.60%	1,682,007	2020	-	1,682,007	(427,946)	1,254,061
Technology equipment note (3)*	2.59%	849,464	2020	-	849,464	(290,425)	559,039
Totals				<u>\$ 2,026,191</u>	<u>\$ 3,073,438</u>	<u>\$ (1,566,903)</u>	<u>\$ 3,532,726</u>

* 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:

Year Ending June 30	Principal	Interest	Total Requirements
2018	\$ 1,565,217	\$ 66,483	\$ 1,631,700
2019	1,404,970	48,461	1,453,431
2020	562,539	13,489	576,028
Totals	<u>\$ 3,532,726</u>	<u>\$ 128,433</u>	<u>\$ 3,661,159</u>

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General Fund:	
Instructional materials	\$ 300,000
Total committed for other purposes	<u>\$ 300,000</u>
Total nonmajor funds:	
Campus activities	\$ 514,656
Total committed for other purposes	<u>\$ 514,656</u>

Dripping Springs Independent School District

Notes to the Financial Statements

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:

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Property taxes	\$ 45,822,098	\$ 13,848,144	\$ -	\$ -	\$ 59,670,242
Charges for services	941,735	-	-	3,156,799	4,098,534
Investment earnings	303,064	102,098	151,879	7,966	565,007
Other	157,423	-	169,631	307,734	634,788
Totals	<u>\$ 47,224,320</u>	<u>\$ 13,950,242</u>	<u>\$ 321,510</u>	<u>\$ 3,472,499</u>	<u>\$ 64,968,571</u>

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, 2017, 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, 2017, 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

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 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.

Dripping Springs Independent School District

Notes to the Financial Statements

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 2015 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal year 2015. The 84th Texas Legislature, GAA established the employer contribution rates for Plan fiscal years 2016 and 2017. Rates for such plan fiscal years are as follows:

	2017	2016	2015
Member	7.7%	7.2%	6.7%
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 2017 are as follows:

District contributions	\$ 848,471
Member contributions	2,504,726
NECE On-behalf contributions (state)	1,796,144

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

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

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

In addition to the employer contributions listed above, 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.

Dripping Springs Independent School District

Notes to the Financial Statements

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
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%
Municipal bond rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.50%
Salary increases including inflation	3.50% to 9.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source of the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

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

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, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
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	100.0%		8.7%

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

Dripping Springs Independent School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

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	\$ 15,055,975	\$ 9,728,215	\$ 5,209,168

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

At June 30, 2017, the District reported a liability of \$9,728,215 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	\$ 9,728,215
State's proportionate share of the net pension liability associated with the District	20,543,877
Total	<u>\$ 30,272,092</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was .0257438%, which was an increase of .0002395% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended June 30, 2017, the District recognized pension expense of \$3,600,328 and revenue of \$2,131,965 for support provided by the State.

Dripping Springs Independent School District

Notes to the Financial Statements

At June 30, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 152,537	\$ 290,479
Changes of assumptions	296,499	269,653
Net difference between projected and actual earnings on pension plan investments	823,765	-
Changes in proportion and differences between district contributions and proportionate share of contributions (cost-sharing plan)	2,677,153	651
District contributions after measurement date	717,722	-
Totals	\$ 4,667,676	\$ 560,783

\$717,722 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, 2018. 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:	
2018	\$ 606,955
2019	606,955
2020	1,132,392
2021	566,580
2022	398,624
Thereafter	77,665
Total	\$ 3,389,171

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

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 2017-2015.

Contribution Rates and Contribution Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 213,682	1.00%	\$ 321,696	0.55%	\$ 180,808
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

In addition, the State of Texas contributed \$154,994, \$94,405, and \$85,781 in 2017, 2016, and 2015, 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 2017, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$33,778. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$33,778 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

Required Supplementary Information

Dripping Springs Independent School District
Schedule of Revenues, Expenditures, and Changes
In Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended August 31, 2017

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 43,536,984	\$ 47,023,056	\$ 47,224,320	\$ 201,264
5800	State program revenues	4,963,778	6,365,015	6,649,859	284,844
5900	Federal program revenues	149,000	209,600	184,160	(25,440)
5020	Total revenues	<u>48,649,762</u>	<u>53,597,671</u>	<u>54,058,339</u>	<u>460,668</u>
EXPENDITURES					
Current:					
0011	Instruction	25,101,182	27,100,925	25,752,687	1,348,238
0012	Instructional resources and media services	448,301	553,167	415,644	137,523
0013	Curriculum and instructional staff development	916,471	975,038	863,496	111,542
0021	Instructional leadership	584,265	592,779	599,111	(6,332)
0023	School leadership	2,166,334	2,297,565	2,226,925	70,640
0031	Guidance, counseling, and evaluation services	1,104,812	1,112,591	1,055,062	57,529
0033	Health services	326,006	328,947	326,284	2,663
0034	Student transportation	2,191,276	3,908,884	3,612,003	296,881
0036	Cocurricular/extracurricular activities	1,888,267	2,161,931	1,845,699	316,232
0041	General administration	1,708,718	1,948,501	1,985,447	(36,946)
0051	Plant maintenance and operations	6,480,922	6,760,068	5,935,146	824,922
0052	Security and monitoring services	219,932	234,560	174,577	59,983
0053	Data processing services	980,272	1,000,478	968,372	32,106
0061	Community services	22,514	22,165	19,792	2,373
Debt service:					
0071	Principal on long-term debt	-	1,569,033	1,566,903	2,130
0072	Interest on long-term debt	-	64,757	64,757	-
Capital outlay:					
0081	Facilities acquisition and construction	66,394	87,894	41,062	46,832
Intergovernmental:					
0091	Contracted instructional services between schools	3,635,190	3,567,078	2,916,983	650,095
0099	Other intergovernmental charges	415,000	465,000	437,250	27,750
6030	Total expenditures	<u>48,255,856</u>	<u>54,751,361</u>	<u>50,807,200</u>	<u>3,944,161</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>393,906</u>	<u>(1,153,690)</u>	<u>3,251,139</u>	<u>4,404,829</u>
OTHER FINANCING SOURCES (USES)					
7914	Loan proceeds	-	3,092,381	3,073,438	(18,943)
7915	Transfers in	105,000	225,000	555,094	330,094
8911	Transfers out	(80,000)	(80,000)	(80,750)	(750)
7080	Total other financing sources (uses)	<u>25,000</u>	<u>3,237,381</u>	<u>3,547,782</u>	<u>310,401</u>
1200	Net change in fund balance	418,906	2,083,691	6,798,921	4,715,230
0100	Fund balance - beginning	<u>24,524,948</u>	<u>24,524,948</u>	<u>24,524,948</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 24,943,854</u>	<u>\$ 26,608,639</u>	<u>\$ 31,323,869</u>	<u>\$ 4,715,230</u>

The Notes to the Required Supplementary Information are an integral part of this statement.

Dripping Springs Independent School District

Exhibit G-2

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 Last Three Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0257438%	0.0255043%	0.0140178%
District's proportionate share of the net pension liability	\$ 9,728,215	\$ 9,015,431	\$ 3,744,349
State's proportionate share of the net pension liability associated with the District	<u>20,543,877</u>	<u>18,646,405</u>	<u>15,412,537</u>
Totals	<u>\$ 30,272,092</u>	<u>\$ 27,661,836</u>	<u>\$ 19,156,886</u>
District's covered-employee payroll	\$ 31,412,048	\$ 28,723,431	\$ 26,319,795
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.97%	31.39%	14.23%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

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

Dripping Springs Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System Pension Plan (TRS)
 For the Last Three Fiscal Years*

Exhibit G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TRS			
Contractually required contributions	\$ 848,471	\$ 807,576	\$ 687,849
Contributions in relation to the contractually required contributions	<u>(848,471)</u>	<u>(807,576)</u>	<u>(687,849)</u>
CONTRIBUTIONS DEFICENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 32,874,150	\$ 30,989,263	\$ 28,281,694
Contribution as a percentage of covered- employee payroll	2.58%	2.61%	2.43%

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

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. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations per the functions (the legal level of budgetary control) in the following funds:

Fund	Function	Final Budget	Actual	Variance
General Fund	21	\$ 592,779	\$ 599,111	\$ (6,332)
General Fund	41	1,948,501	1,985,447	(36,946)

The District added a new position for growth that was not budgeted for as part of the original or final budget. The District incurred legal costs that exceeded projected amounts in the current year.

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 following table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation date	August 31, 2016
Actuarial cost method	Ultimate entry age normal
Amortization method	Level percentage of payroll, floating
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, 2017

<u>Data Control Codes</u>	211	224	225
	<u>ESEA, Title I, Part A - Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>
ASSETS			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1120 Current investments	209,621	900,972	1,225
1240 Due from other governments	133,671	523,399	11,356
1260 Due from other funds	-	-	-
1290 Other receivables	-	-	123
1300 Inventories	-	-	-
1000 TOTAL ASSETS	<u>\$ 343,292</u>	<u>\$ 1,424,371</u>	<u>\$ 12,704</u>
LIABILITIES			
2110 Accounts payable	\$ 384	\$ 25,802	\$ -
2150 Payroll deductions and withholdings	118	1,305	-
2160 Accrued wages payable	13,520	80,695	-
2170 Due to other funds	329,270	1,316,569	12,704
2180 Due to other governments	-	-	-
2300 Unearned revenue	-	-	-
2000 Total liabilities	<u>343,292</u>	<u>1,424,371</u>	<u>12,704</u>
FUND BALANCES			
3410 Nonspendable - inventories	-	-	-
3450 Restricted - grants	-	-	-
3545 Committed - other	-	-	-
3000 Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 343,292</u>	<u>\$ 1,424,371</u>	<u>\$ 12,704</u>

240	244	255	263	288	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	Texas State Safety Grant	Title VI, Part A, Summer School LEP	Noneducational Community - Based Support
\$ 563,651	\$ -	\$ -	\$ -	\$ 18,321	\$ -	\$ -
1,291,127	44,758	61,589	15,652	-	2,330	-
-	21,383	56,705	33,702	-	-	5,792
9,959	-	-	-	-	2,226	968
309	-	-	-	-	-	-
11,374	-	-	-	-	-	-
<u>\$ 1,876,420</u>	<u>\$ 66,141</u>	<u>\$ 118,294</u>	<u>\$ 49,354</u>	<u>\$ 18,321</u>	<u>\$ 4,556</u>	<u>\$ 6,760</u>
\$ 35,344	\$ -	\$ 2,205	\$ -	\$ -	\$ -	\$ -
1,492	-	39	261	-	-	53
103,215	-	1,926	17,665	-	-	2,799
733,961	66,141	114,124	31,428	-	-	3,887
-	-	-	-	-	-	-
69,436	-	-	-	18,321	4,556	-
<u>943,448</u>	<u>66,141</u>	<u>118,294</u>	<u>49,354</u>	<u>18,321</u>	<u>4,556</u>	<u>6,739</u>
11,374	-	-	-	-	-	-
921,598	-	-	-	-	-	21
-	-	-	-	-	-	-
<u>932,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21</u>
<u>\$ 1,876,420</u>	<u>\$ 66,141</u>	<u>\$ 118,294</u>	<u>\$ 49,354</u>	<u>\$ 18,321</u>	<u>\$ 4,556</u>	<u>\$ 6,760</u>

Dripping Springs Independent School District
 Combining Balance Sheet
 Nonmajor Governmental Funds - Special Revenue Funds
 June 30, 2017

		397	410	461
<u>Data Control Codes</u>		<u>Advanced Placement Incentives</u>	<u>State Textbook Fund</u>	<u>Campus Activity Fund</u>
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 76,692
1120	Current investments	-	59,291	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	473,176
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ 59,291</u>	<u>\$ 549,868</u>
LIABILITIES				
2110	Accounts payable	\$ -	\$ -	\$ 23,549
2150	Payroll deductions and withholdings	-	-	55
2160	Accrued wages payable	-	-	3,107
2170	Due to other funds	-	59,291	7,701
2180	Due to other governments	-	-	800
2300	Unearned revenue	-	-	-
2000	Total liabilities	<u>-</u>	<u>59,291</u>	<u>35,212</u>
FUND BALANCES				
3410	Nonspendable - inventories	-	-	-
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	514,656
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>514,656</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 59,291</u>	<u>\$ 549,868</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-1)
\$ -	\$ 34,248	\$ -	\$ -	\$ -	\$ 692,912
-	-	-	-	-	2,586,565
-	-	-	-	-	786,008
-	60,816	4,318	61,293	5,233	617,989
1,550	-	-	-	-	1,982
-	-	-	-	-	11,374
<u>\$ 1,550</u>	<u>\$ 95,064</u>	<u>\$ 4,318</u>	<u>\$ 61,293</u>	<u>\$ 5,233</u>	<u>\$ 4,696,830</u>
\$ 737	\$ 3,924	\$ -	\$ 431	\$ -	\$ 92,376
-	-	-	-	-	3,323
-	-	-	-	-	222,927
813	-	4,318	46,550	-	2,726,757
-	-	-	-	-	800
-	91,140	-	-	1,000	184,453
<u>1,550</u>	<u>95,064</u>	<u>4,318</u>	<u>46,981</u>	<u>1,000</u>	<u>3,230,636</u>
-	-	-	-	-	11,374
-	-	-	14,312	4,233	940,164
-	-	-	-	-	514,656
-	-	-	<u>14,312</u>	<u>4,233</u>	<u>1,466,194</u>
<u>\$ 1,550</u>	<u>\$ 95,064</u>	<u>\$ 4,318</u>	<u>\$ 61,293</u>	<u>\$ 5,233</u>	<u>\$ 4,696,830</u>

Dripping Springs Independent School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2017

<u>Data Control Codes</u>	211	224	225
	<u>ESEA, Title I, Part A - Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>
REVENUES			
5700 Local and intermediate sources	\$ -	\$ 1,180	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	192,899	895,895	10,677
5020 Total revenues	<u>192,899</u>	<u>897,075</u>	<u>10,677</u>
EXPENDITURES			
Current:			
0011 Instruction	191,972	608,746	10,599
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	927	9,754	-
0021 Instructional leadership	-	-	-
0023 School leadership	-	-	-
0031 Guidance, counseling, and evaluation services	-	278,475	78
0033 Health services	-	-	-
0034 Student transportation	-	-	-
0035 Food service	-	-	-
0036 Cocurricular/extracurricular activities	-	-	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	-	-
0061 Community services	-	100	-
6030 Total expenditures	<u>192,899</u>	<u>897,075</u>	<u>10,677</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
8911 Transfers out	-	-	-
7080 Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net change in fund balances	-	-	-
0100 Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000 FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240	244	255	263	288	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	Texas State Safety Grant	Title VI, Part A, Summer School LEP	Noneducational Community - Based Support
\$ 2,272,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,277	-	-	-	-	-	7,685
385,874	37,846	84,889	33,766	-	-	-
<u>2,664,359</u>	<u>37,846</u>	<u>84,889</u>	<u>33,766</u>	<u>-</u>	<u>-</u>	<u>7,685</u>
-	37,371	-	32,999	-	-	7,685
-	-	-	-	-	-	-
-	-	84,889	767	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,364,492	-	-	-	-	-	-
-	475	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,364,492</u>	<u>37,846</u>	<u>84,889</u>	<u>33,766</u>	<u>-</u>	<u>-</u>	<u>7,685</u>
<u>299,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(301,999)	-	-	-	-	-	-
<u>(301,999)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,132)	-	-	-	-	-	-
<u>935,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21</u>
<u>\$ 932,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>

Dripping Springs Independent School District
Combining Statement Of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2017

<u>Data Control Codes</u>	<u>397</u>	<u>410</u>	<u>461</u>
	<u>Advanced Placement Incentives</u>	<u>State Textbook Fund</u>	<u>Campus Activity Fund</u>
REVENUES			
5700 Local and intermediate sources	\$ -	\$ -	\$ 1,061,979
5800 State program revenues	-	93,069	617
5900 Federal program revenues	-	-	-
5020 Total revenues	<u>-</u>	<u>93,069</u>	<u>1,062,596</u>
EXPENDITURES			
Current:			
0011 Instruction	-	93,069	361,706
0012 Instructional resources and media services	-	-	15,556
0013 Curriculum and instructional staff development	1,549	-	7,296
0021 Instructional leadership	-	-	-
0023 School leadership	-	-	22,226
0031 Guidance, counseling, and evaluation services	-	-	508
0033 Health services	-	-	28
0034 Student transportation	-	-	209
0035 Food service	-	-	-
0036 Cocurricular/extracurricular activities	-	-	566,737
0041 General administration	-	-	139
0051 Plant maintenance and operations	-	-	8,587
0052 Security and monitoring services	-	-	11,869
0061 Community services	-	-	917
6030 Total expenditures	<u>1,549</u>	<u>93,069</u>	<u>995,778</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>(1,549)</u>	<u>-</u>	<u>66,818</u>
OTHER FINANCING SOURCES (USES)			
8911 Transfers out	-	-	-
7080 Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net change in fund balances	(1,549)	-	66,818
0100 Fund balances - beginning	<u>1,549</u>	<u>-</u>	<u>447,838</u>
3000 FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,656</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)
\$ 6,517	\$ 101,417	\$ 6,461	\$ 21,737	\$ 1,000	\$ 3,472,499
-	-	-	4,303	-	111,951
-	-	-	-	-	1,641,846
<u>6,517</u>	<u>101,417</u>	<u>6,461</u>	<u>26,040</u>	<u>1,000</u>	<u>5,226,296</u>
-	96,289	3,626	5,916	1,000	1,450,978
-	3,922	-	-	-	19,478
3,261	703	-	-	-	109,146
3,256	-	-	-	-	3,256
-	-	-	-	-	22,226
-	-	-	-	-	279,061
-	-	-	-	-	28
-	-	-	-	-	209
-	-	-	-	-	2,364,492
-	3	1,258	-	-	568,473
-	-	-	-	-	139
-	500	-	-	-	9,087
-	-	-	-	-	11,869
-	-	1,577	66,413	-	69,007
<u>6,517</u>	<u>101,417</u>	<u>6,461</u>	<u>72,329</u>	<u>1,000</u>	<u>4,907,449</u>
-	-	-	(46,289)	-	318,847
-	-	-	-	-	(301,999)
-	-	-	-	-	(301,999)
-	-	-	(46,289)	-	16,848
-	-	-	60,601	4,233	1,449,346
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,312</u>	<u>\$ 4,233</u>	<u>\$ 1,466,194</u>

Dripping Springs Independent School District
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2017

Exhibit I-1

<u>Data Control Codes</u>	<u>711</u>	<u>712</u>	<u>715</u>	<u>Total Nonmajor Enterprise Funds (See Exhibit D-1)</u>
	<u>DSISD Day Care</u>	<u>DSISD Community Services Fund</u>	<u>DSISD Tiger Shack</u>	
ASSETS				
Current assets:				
1110	\$ 41,101	\$ 165,753	\$ 1,409	\$ 208,263
1260	132,631	647,914	8,818	789,363
1290	-	8,687	-	8,687
1300	-	-	9,025	9,025
1410	438	-	-	438
	<u>174,170</u>	<u>822,354</u>	<u>19,252</u>	<u>1,015,776</u>
Noncurrent assets:				
Capital assets:				
1530	-	15,831	-	15,831
1570	-	(6,332)	-	(6,332)
	<u>-</u>	<u>9,499</u>	<u>-</u>	<u>9,499</u>
1000	<u>174,170</u>	<u>831,853</u>	<u>19,252</u>	<u>1,025,275</u>
LIABILITIES				
Current liabilities:				
2110	753	21,187	-	21,940
2150	329	2,187	-	2,516
2160	26,308	136,461	-	162,769
2170	540	151,782	-	152,322
2300	7,420	243,146	-	250,566
	<u>35,350</u>	<u>554,763</u>	<u>-</u>	<u>590,113</u>
2000	<u>35,350</u>	<u>554,763</u>	<u>-</u>	<u>590,113</u>
NET POSITION				
3200	-	9,499	-	9,499
3900	138,820	267,591	19,252	425,663
3000	<u>\$ 138,820</u>	<u>\$ 277,090</u>	<u>\$ 19,252</u>	<u>\$ 435,162</u>

Dripping Springs Independent School District
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit I-2

<u>Data Control Codes</u>	711 <u>DSISD Day Care</u>	712 <u>DSISD Community Services Fund</u>	715 <u>DSISD Tiger Shack</u>	<u>Total Nonmajor Enterprise Funds (See Exhibit D-2)</u>
OPERATING REVENUES				
5700 Local and intermediate sources	\$ 351,376	\$ 1,612,576	\$ 12,850	\$ 1,976,802
5020 Total operating revenues	<u>351,376</u>	<u>1,612,576</u>	<u>12,850</u>	<u>1,976,802</u>
OPERATING EXPENSES				
6100 Payroll costs	281,898	1,038,133	-	1,320,031
6200 Professional and contracted services	1,238	359,238	877	361,353
6300 Supplies and materials	12,982	36,154	11,218	60,354
6400 Other operating costs	3,683	34,130	800	38,613
6449 Depreciation	-	3,166	-	3,166
6030 Total operating expenses	<u>299,801</u>	<u>1,470,821</u>	<u>12,895</u>	<u>1,783,517</u>
1100 Operating income (loss)	<u>51,575</u>	<u>141,755</u>	<u>(45)</u>	<u>193,285</u>
Income before contributions and transfers	51,575	141,755	(45)	193,285
7915 Transfers in	-	80,750	-	80,750
8911 Transfers out	<u>-</u>	<u>(267,577)</u>	<u>-</u>	<u>(267,577)</u>
1200 Change in net position	51,575	(45,072)	(45)	6,458
0100 Net position - beginning	<u>87,245</u>	<u>322,162</u>	<u>19,297</u>	<u>428,704</u>
3000 NET POSITION - ENDING	<u>\$ 138,820</u>	<u>\$ 277,090</u>	<u>\$ 19,252</u>	<u>\$ 435,162</u>

Dripping Springs Independent School District
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit I-3

	711	712	715	Total Nonmajor Enterprise Funds (See Exhibit D-3)
	DSISD Day Care	DSISD Community Services Fund	DSISD Tiger Shack	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from services provided	\$ 350,211	\$ 1,802,272	\$ 12,847	\$ 2,165,330
Cash payments for goods and services	(292,468)	(1,373,424)	(877)	(1,666,769)
Cash payments for employees	(16,642)	(76,768)	(10,561)	(103,971)
Net cash provided (used) by operating activities	<u>41,101</u>	<u>352,080</u>	<u>1,409</u>	<u>394,590</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	80,750	-	80,750
Transfers to other funds	-	(267,577)	-	(267,577)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(186,827)</u>	<u>-</u>	<u>(186,827)</u>
Net increase (decrease) in cash and cash equivalents	41,101	165,253	1,409	207,763
Cash and cash equivalents - beginning	-	500	-	500
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 41,101</u>	<u>\$ 165,753</u>	<u>\$ 1,409</u>	<u>\$ 208,263</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 51,575	\$ 141,755	\$ (45)	\$ 193,285
Depreciation expense	-	3,166	-	3,166
Change in assets and liabilities:				
(Increase) decrease in due from other funds	355	47,599	-	47,954
Decrease in other receivables	-	(1,738)	-	(1,738)
Decrease in inventory	-	-	1,457	1,457
Increase in prepaid items	(438)	869	-	431
Increase (decrease) in accounts payable	461	(7,353)	-	(6,892)
Decrease in payroll deductions and withholdings	(182)	553	-	371
Decrease in accrued wages payable	(9,150)	23,394	-	14,244
Increase in due to other funds	-	145,554	(3)	145,551
Increase in unearned revenue	(1,520)	(1,719)	-	(3,239)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 41,101</u>	<u>\$ 352,080</u>	<u>\$ 1,409</u>	<u>\$ 394,590</u>

This Page Intentionally Left Blank

Dripping Springs Independent School District

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended June 30, 2017

<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>	
2008 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.0400	0.4800	3,439,934,671
2017 (School year under audit)	1.1700	0.3500	3,874,449,013

1000 Totals

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

<u>Beginning Balance 7/1/16</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 6/30/17</u>
\$ 123,296	\$ -	\$ 989	\$ 224	\$ -	\$ 122,083
28,290	-	638	230	-	27,422
30,757	-	4,864	2,104	1	23,790
38,219	-	8,326	3,603	-	26,290
40,902	-	6,742	2,917	(408)	30,835
63,019	-	7,707	3,335	(680)	51,297
77,821	-	13,360	5,780	(807)	57,874
150,548	-	54,122	24,980	(2,315)	69,131
920,024	-	741,748	342,362	387,081	222,995
-	58,891,625	44,747,527	13,386,012	1,032	759,118
<u>\$ 1,472,876</u>	<u>\$ 58,891,625</u>	<u>\$ 45,586,023</u>	<u>\$ 13,771,547</u>	<u>\$ 383,904</u>	<u>\$ 1,390,835</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 Fiscal Year Ended June 30, 2017

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 2,158,000	\$ 2,230,000	\$ 2,272,208	\$ 42,208
5800	State program revenues	5,500	6,300	6,277	(23)
5900	Federal program revenues	368,553	368,553	385,874	17,321
5020	Total revenues	<u>2,532,053</u>	<u>2,604,853</u>	<u>2,664,359</u>	<u>59,506</u>
EXPENDITURES					
Current:					
0035	Food service	2,401,852	2,515,852	2,364,492	151,360
6030	Total expenditures	<u>2,401,852</u>	<u>2,515,852</u>	<u>2,364,492</u>	<u>151,360</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>130,201</u>	<u>89,001</u>	<u>299,867</u>	<u>210,866</u>
OTHER FINANCING SOURCES (USES)					
8911	Transfers out	(120,000)	(120,000)	(301,999)	(181,999)
7080	Total other financing sources (uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(301,999)</u>	<u>(181,999)</u>
1200	Net change in fund balance	10,201	(30,999)	(2,132)	28,867
0100	Fund balance - beginning	<u>935,104</u>	<u>935,104</u>	<u>935,104</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 945,305</u>	<u>\$ 904,105</u>	<u>\$ 932,972</u>	<u>\$ 28,867</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, 2017

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 12,932,255	\$ 13,880,562	\$ 13,950,242	\$ 69,680
5800	State program revenues	267,912	289,451	283,160	(6,291)
5900	Federal program revenues	-	-	-	-
5020	Total revenues	<u>13,200,167</u>	<u>14,170,013</u>	<u>14,233,402</u>	<u>63,389</u>
EXPENDITURES					
Current:					
Debt service:					
0071	Principal on long-term debt	6,570,000	6,570,000	6,570,000	-
0072	Interest on long-term debt	7,957,650	7,957,650	7,957,650	-
0073	Issuance costs and fees	12,000	12,000	11,750	250
6030	Total expenditures	<u>14,539,650</u>	<u>14,539,650</u>	<u>14,539,400</u>	<u>250</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(1,339,483)</u>	<u>(369,637)</u>	<u>(305,998)</u>	<u>63,639</u>
1200	Net change in fund balance	(1,339,483)	(369,637)	(305,998)	63,639
0100	Fund balance - beginning	<u>13,196,070</u>	<u>13,196,070</u>	<u>13,196,070</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 11,856,587</u>	<u>\$ 12,826,433</u>	<u>\$ 12,890,072</u>	<u>\$ 63,639</u>

This Page Intentionally Left Blank

**Overall Compliance, Internal Control Section
and Federal Awards**

This Page Intentionally Left Blank



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 (the District) as of and for the year ended June 30, 2017, 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 16, 2017.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 16, 2017



**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 (the 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, 2017. 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, 2017.

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.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
October 16, 2017

Dripping Springs Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2017

Section 1. 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 | Special Education Cluster (IDEA)
84.027A and 84.173A |
| 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 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Dripping Springs Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

Prior Year Findings

None reported

Dripping Springs Independent School District
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2017

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.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	16610101105904	\$ 11,497
ESEA Title I, Part A - Improving Basic Programs	84.010A	17610101105904	197,100
Total CFDA 84.010A			208,597
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	166600011059046600	15,908
IDEA - Part B, Formula	84.027A	176600011059046600	891,602
IDEA - Part B, Preschool	84.173A	176610011059046610	11,356
Total Special Education Cluster (IDEA)			918,866
Career and Technology - Basic Grant	84.048A	17420006105904	37,963
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	16671001105904	1,546
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	17671001105904	33,911
Total CFDA 84.365A			35,457
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	16694501105904	10,193
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	17694501105904	80,125
Total CFDA 84.367A			90,318
TOTAL U.S. DEPARTMENT OF EDUCATION			1,291,201
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	00547	99,174
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71401701	54,330
National School Lunch Program	10.555	71301701	232,370
Total Child Nutrition Cluster			385,874
TOTAL U.S. DEPARTMENT OF AGRICULTURE			385,874
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,677,075

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Dripping Springs Independent School District
 Notes to Schedule of Expenditures of Federal Awards

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:

Total expenditures of federal awards per Exhibit K-1	\$ 1,677,075
General Fund - federal revenue:	
SHARS	102,568
E-Rate	46,363
Capital Projects Fund - federal revenue:	
E-Rate	249,641
Total federal revenues per Exhibit C-2	<u><u>\$ 2,075,647</u></u>

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation. The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Dripping Springs Independent School District
 Schedule of Required Responses to
 Selected School FIRST Indicators (Unaudited)
 For the Fiscal Year Ended June 30, 2017

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? \$ 1,001,309
SF11	Net pension assets (1920) at fiscal year-end. \$ -
SF12	Net pension liabilities (2540) at fiscal year-end. \$ 9,728,215
SF13	Pension expense (6147) at fiscal year-end, excluding On-behalf pension expense (6144). \$ 1,468,363