

PROUD TRADITIONS, EXCITING FUTURES

DICKINSON

INDEPENDENT SCHOOL DISTRICT

2016

**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

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**DICKINSON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

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CERTIFICATE OF BOARD

Dickinson Independent School District
Name of School District

Galveston
County

084-901
County-District

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and X approved disapproved for the year ended August 31, 2016, at a meeting of the Board of Trustees of such school district on the 12th day of December, 2016.


Signature of Board Secretary


Signature of Board President

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FINANCIAL SECTION

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Start, Garcia & Stanley, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
DICKINSON INDEPENDENT SCHOOL DISTRICT
Dickinson, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dickinson Independent School District (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 auditors' 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, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and TRS pension schedules on pages 7-14, 56, and 57-60, respectively, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and schedules required by the Texas Education Agency are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedules required by the Texas Education Agency, 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Start, Garcia & Stanley

Start, Garcia & Stanley, LLC

Baytown, Texas
December 9, 2016

DICKINSON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

August 31, 2016

As administrators of the Dickinson Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2016.

Financial highlights

The District's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,971,744 (*net position*).

- The District's total net position increased by \$1,219,653 for the current fiscal period.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$68,488,604 a decrease of \$21,429,678 in comparison with the prior year. The decrease in overall governmental fund balances was primarily due to use of bond proceeds to fund ongoing capital projects. Fund balance in the capital projects fund decreased by \$29,137,068. The general fund fund balance increased by \$6,695,649 due to excess revenues over expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,229,166 or 21% of total general fund expenditures.

Overview of the Financial Statements

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements. The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending. *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the District's self-insurance workers' compensation program. *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.
- The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

The basic financial statements are followed by a section of other *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of *management's discussion and analysis* explains the structure and contents of each of the statements.

Government-wide Financial Statements

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

The Statement of Net Position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net positions are indicators of whether financial health is improving or deteriorating, respectively. To fully assess the overall health of the District, however, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, its property tax base and the condition of the District's facilities.

DICKINSON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

August 31, 2016

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only affect cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements of the District reflect the governmental activities which are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Student (Pupil) Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Payments to Shared Services Arrangements, and Payments to Juvenile Justice Alternative Education Programs.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains individual governmental funds for general, special revenue, debt services, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service funds, and National School Breakfast and Lunch Program special revenue fund.

Proprietary Fund

The District maintains individual internal service funds for life insurance and workers' compensation insurance coverage. *Internal service funds*, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide information for the life and workers' compensation insurance funds.

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2016

Fiduciary Fund

The fiduciary funds are used to account for resources held for the benefit of students and employees. The 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. The funds are custodial in nature (assets equal liabilities) and do not involve current financial resources.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board.
- *Assigned* – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information.

In addition, information related to the District's proportionate share of its net pension liability and contributions to the Texas Retirement System of Texas is also presented.

Other Information

The other supplementary information is presented immediately following the required supplementary information and includes schedules required by the Texas Education Agency.

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2016

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$14,971,744 at the close of the most recent fiscal year.

The District's net position includes amounts invested in capital assets (e.g., land, building and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COMPARATIVE SCHEDULE OF NET POSITION

August 31, 2016 and 2015

Amounts in (000's)

	Governmental Activities		Change
	2016	2015	2016-15
Current and other assets	\$ 83,075	\$ 106,448	\$ (23,373)
Capital assets	228,082	209,950	18,132
Total assets	311,157	316,398	(5,241)
Deferred outflows of resources	12,973	5,943	7,030
Other liabilities	10,590	12,975	(2,385)
Long-term liabilities	297,032	292,463	4,569
Total liabilities	307,622	305,438	2,184
Deferred inflows of resources	1,536	3,151	(1,615)
Net position:			
Net Investment in Capital Assets	(33,577)	(27,508)	(6,069)
Restricted	9,594	8,513	1,081
Unrestricted	38,955	32,747	6,208
Total net position	\$ 14,972	\$ 13,752	\$ 1,220

The District's total net position increased by \$1,219,653 over the prior year. At August 31, 2016, the District reported positive balances in restricted and unrestricted net position. Unrestricted net position may be used to meet the District's ongoing obligations to students and creditors.

Net position is restricted for various purposes as follows: (000's)

Federal and state programs	\$ 318
Debt service	9,276
	<u>\$ 9,594</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2016

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
August 31, 2016 and 2015
Amounts in (000's)

	Governmental Activities		Change
	2016	2015	2016-15
Revenues			
Program revenues:			
Charge for services	\$ 4,214	\$ 3,898	\$ 316
Operating grants & contributions	17,223	15,201	2,022
General revenues:			
Property Taxes	47,510	46,072	1,438
State Aid - formula grants	49,031	44,598	4,433
Investment earnings	578	117	461
Other	1,890	1,970	(80)
Total revenues	<u>120,446</u>	<u>111,856</u>	<u>8,590</u>
Expenses:			
Instruction	62,251	58,710	3,541
Instructional resources and media services	1,282	1,078	204
Curriculum and instructional staff development	570	631	(61)
Instructional leadership	1,378	1,187	191
School leadership	5,631	5,201	430
Guidance, counseling and evaluation services	3,087	2,952	135
Social work services	104	95	9
Health services	705	686	19
Student (pupil) transportation	4,395	4,511	(116)
Food services	6,833	6,467	366
Extracurricular activities	2,612	2,503	109
General administration	3,274	3,095	179
Facilities maintenance and operations	13,473	9,936	3,537
Security and monitoring services	430	424	6
Data processing services	1,627	1,627	-
Community services	492	439	53
Debt service	10,849	11,026	(177)
Payments to fiscal agent/member districts of SSA	147	1,907	(1,760)
Payments to juvenile justice alternative education programs	86	79	7
Total expenses	<u>119,226</u>	<u>112,554</u>	<u>6,672</u>
Increase (decrease) in net position	1,220	(698)	1,918
Net position, beginning	13,752	26,122	(12,370)
Prior Period Adjustment	-	(11,672)	11,672
Net position, ending	<u>\$ 14,972</u>	<u>\$ 13,752</u>	<u>\$ 1,220</u>

Governmental Activities

The increase in net position of \$1,219,653 is attributed primarily to excess revenues over expenses.

The District participates in a statewide teacher retirement system (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS is the largest public retirement system in Texas in both membership and assets. The TRS trust fund is sustained principally by three sources — earnings on investments, employer contributions, and member contributions. For the first time, governments providing defined benefit pension plans are now required to recognize their long-term obligation for pension benefits as a liability on their accrual-based, government-wide statement of net position. This provides citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

DICKINSON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

August 31, 2016

This is an important change that will more clearly depict the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Reporting the net pension liability on the face of the financial statements will more clearly portray the government's financial status because the pension liability will be placed on an equal footing with other long-term obligations.

At August 31, 2016, the District reported a net pension liability of \$20,650,162 for its proportionate share of TRS's net pension liability.

Total revenues for the District's governmental activities exceeded total expenses by \$1,219,653. Revenues and expenses in 2016 increased by \$8,590,479 and \$6,672,554, respectively, when compared to 2015.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 94% of total revenues. The remaining 6% is generated from charges for services, investment earnings, and miscellaneous revenues. In 2016, revenues increased over the prior year by \$8,590,479. This results from additional revenues from property taxes, state funding, charges for services, operating grants and contributions, and investment earnings offset by a decrease in other revenues.

The primary functional expense of the District is instruction, which represents 52% of total expenses. Facilities maintenance and operations represents 11% of total expenses, and the remaining individual functional categories of expenses are each less than 10% of total expenses.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$68,488,604, a decrease of \$21,429,678 in comparison with prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,229,166, while total fund balance reached \$49,039,928. As a measure of the general fund's liquidity, it may be useful to compare unassigned, assigned, committed fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21% of total general fund expenditures, while assigned fund balance represents 28%, committed fund balance represents 11%, and total fund balance represents 60% of that same amount. The fund balance of the District's general fund increased by \$6,695,649 during the current fiscal year. Increase in fund balance resulted from revenues exceeding projected amounts coupled with operating expenditures falling below budgeted expenditures.

The debt service fund has total fund balance of \$9,137,215, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance for the current year was \$1,775,349.

DICKINSON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis

August 31, 2016

The capital projects fund has a total fund balance of \$9,215,712, all of which is restricted and assigned for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$29,137,068 was due to expenditures of ongoing capital projects.

General Fund Budgetary Highlights

The District adopted a deficit budget for fiscal year 2016. Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows: (000's)

	BUDGET	
	Original	Final
Total revenues	\$ 84,246	\$ 84,300
Total expenditures	(85,924)	(87,487)
Other sources and (uses)	5	(70)
Net change in fund balance	<u>\$ (1,673)</u>	<u>\$ (3,257)</u>

There were no significant budget amendments affecting total budgeted revenues. The increase in final budgeted expenditures resulted primarily from budget amendments to increase facilities acquisition/capital outlay (\$1.7 million).

For fiscal year 2016, local and intermediate revenue sources did not have any significant variances between budgeted and actual amounts. As a result of increased average daily attendance and larger state funded TRS payments, state revenue exceeded budget estimates by approximately \$3.6 million. Additionally, federal revenues accounted for in the General Fund (SHARS revenues) exceeded the District's estimates by approximately \$1.4 million. Expenditures were less than budgetary estimates by approximately \$5.9 million as utilization of contracted services, operating and other expenses and capital outlay was unilaterally less than budget. Overall, the general fund exceeded its final budget estimate by approximately \$10 million, resulting in an increase in general fund balance of approximately \$6.7 million for the year.

Capital Assets

The District's investment in capital assets for its governmental type activities, as of August 31, 2016, amounts to \$228,082,798 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total amount invested in capital assets for the current fiscal year was: (000's)

Capital Assets	2016
Land	\$ 8,002
Construction in progress	2,758
Buildings and improvements	319,051
Furniture and equipment	22,438
Library books and media	32
Total	<u>352,281</u>
Accumulated depreciation	<u>(124,198)</u>
Net capital assets	<u>\$ 228,083</u>

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$258,550,000 in bonded debt outstanding, a decrease of \$4,293,565 over the prior year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "A" and from Moody's Investors Service is "A1" for general obligation debt.

DICKINSON INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis
August 31, 2016

Changes in all long-term debt, for the year ended August 31, 2016, are as follows: (000's)

Outstanding 9/1/2016	Additions	Reductions	Outstanding 8/31/2016
\$ 262,844	\$ -	\$ (4,294)	\$ 258,550

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2016, the current debt limitation for the District is \$306,088,526. The District's outstanding debt of \$258,550,000 less the reserve for the retirement of the debt of \$9,137,215 totals \$249,412,785 leaving a legal debt margin of \$56,675,741. Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Appraised value used for the 2016-2017 budget preparation was increased by \$392 million, or 10.9% from the previous year. This increase was due to an increase in construction of new homes.
- The Tax Rate for 2016-2017 is \$1.54 (\$1.04 for M&O; \$.50 for I&S), the same as 2015-2016.
- The 2016-2017 general fund operating budget projects spending \$8,632 per student.
- The District's 2016-2017 refined average daily attendance is expected to be 10,500, an increase of 3.9% from the previous year.

Dickinson ISD is classified as a 6A district and has grown consistently for the past several years. The District received a 'Superior' rating under the Financial Integrity Rating System of Texas for the fourteenth consecutive year. In the FAST system, established by the Comptroller, it was noted that the District has a "very low" spending index and accomplished a 4 STAR FAST rating, with 5 being the best.

The Board of Trustees sold \$70 million in bonds for the construction of a junior high school. The school will be located on land currently owned by the District just west of Hwy 146. The school is scheduled to open August, 2018.

The tax rate did not increase due to the bond election.

The District is growing and several residential projects are being developed. Lago Mar, a subdivision with 5000 to 7500 residential units has recently begun developing.

The Bay Colony subdivision continues to grow. Other subdivisions, on the west side of the District, include plans for approximately 550 new residential homes within the next five to seven years.

Restaurants, banks, department stores and businesses within the District continue to be constructed as the business community grows.

The Tuscan Lakes subdivision construction projects of new homes and additional apartments are adding to the growth of the District. More commercial building is in the planning stages for this area.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at Dickinson Independent School District, 2218 FM 517, Dickinson, Texas 77539.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 34,323,705
1120 Current Investments	37,995,000
1220 Property Taxes Receivable (Delinquent)	4,421,235
1230 Allowance for Uncollectible Taxes	(2,054,494)
1240 Due from Other Governments	7,386,094
1250 Accrued Interest	108,740
1267 Due from Fiduciary Funds	82
1290 Other Receivables, net	298,405
1300 Inventories	479,788
1410 Prepayments	115,984
Capital Assets:	
1510 Land	8,002,311
1520 Buildings, Net	211,365,999
1530 Furniture and Equipment, Net	5,933,842
1560 Library Books and Media, Net	22,718
1580 Construction in Progress	2,757,928
1000 Total Assets	311,157,337
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	3,143,342
1705 Deferred Outflow Related to TRS	9,829,727
1700 Total Deferred Outflows of Resources	12,973,069
LIABILITIES	
2110 Accounts Payable	6,672,953
2160 Accrued Wages Payable	3,110,719
2200 Accrued Expenses	554,914
2300 Unearned Revenue	251,572
Noncurrent Liabilities	
2501 Due Within One Year	4,907,971
2502 Due in More Than One Year	271,473,612
2540 Net Pension Liability (District's Share)	20,650,162
2000 Total Liabilities	307,621,903
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	1,536,759
2600 Total Deferred Inflows of Resources	1,536,759
NET POSITION	
3200 Net Investment in Capital Assets	(33,577,554)
3820 Restricted for Federal and State Programs	317,876
3850 Restricted for Debt Service	9,276,001
3900 Unrestricted	38,955,421
3000 Total Net Position	\$ 14,971,744

The notes to the financial statements are an integral part of this statement.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Primary Gov. Governmental Activities
		3 Charges for Services	4 Operating Grants and Contributions	
	Expenses			Net (Expense) Revenue and Changes in Net Position
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 62,251,427	\$ 856,841	\$ 7,135,494	\$ (54,259,092)
12 Instructional Resources and Media Services	1,282,380	-	77,182	(1,205,198)
13 Curriculum and Staff Development	569,757	-	241,791	(327,966)
21 Instructional Leadership	1,378,550	-	168,721	(1,209,829)
23 School Leadership	5,630,603	-	422,466	(5,208,137)
31 Guidance, Counseling and Evaluation Services	3,086,858	-	586,167	(2,500,691)
32 Social Work Services	103,637	-	7,022	(96,615)
33 Health Services	704,833	-	51,140	(653,693)
34 Student (Pupil) Transportation	4,394,855	-	234,824	(4,160,031)
35 Food Services	6,832,714	1,510,359	4,697,691	(624,664)
36 Extracurricular Activities	2,612,470	1,818,277	86,907	(707,286)
41 General Administration	3,273,660	-	166,010	(3,107,650)
51 Facilities Maintenance and Operations	13,473,147	28,264	356,448	(13,088,435)
52 Security and Monitoring Services	430,144	-	-	(430,144)
53 Data Processing Services	1,626,752	-	101,073	(1,525,679)
61 Community Services	492,006	-	6,794	(485,212)
72 Debt Service - Interest on Long Term Debt	10,841,023	-	2,850,390	(7,990,633)
73 Debt Service - Bond Issuance Cost and Fees	8,225	-	-	(8,225)
93 Payments related to Shared Services Arrangements	146,871	-	32,625	(114,246)
95 Payments to Juvenile Justice Alternative Ed. Prg.	86,452	-	-	(86,452)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 119,226,364	\$ 4,213,741	\$ 17,222,744	(97,789,879)
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			32,076,914
DT	Property Taxes, Levied for Debt Service			15,433,085
SF	State Aid - Formula Grants			49,031,325
GC	Grants and Contributions not Restricted			1,844,113
IE	Investment Earnings			578,273
MI	Miscellaneous Local and Intermediate Revenue			45,822
TR	Total General Revenues			99,009,532
CN	Change in Net Position			1,219,653
NB	Net Position - Beginning			13,752,091
NE	Net Position--Ending			\$ 14,971,744

The notes to the financial statements are an integral part of this statement.

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DICKINSON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 20,656,367	\$ 9,120,902	\$ 2,237,867
1120 Investments - Current	23,011,000	-	13,734,000
1220 Property Taxes - Delinquent	3,269,090	1,152,145	-
1230 Allowance for Uncollectible Taxes (Credit)	(1,519,106)	(535,388)	-
1240 Receivables from Other Governments	6,754,773	16,313	-
1250 Accrued Interest	71,617	-	32,542
1260 Due from Other Funds	2,398,038	-	-
1290 Other Receivables	229,497	-	-
1300 Inventories	278,989	-	-
1410 Prepayments	71,633	-	44,351
1000 Total Assets	<u>\$ 55,221,898</u>	<u>\$ 9,753,972</u>	<u>\$ 16,048,760</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,385,780	\$ -	\$ 4,870,985
2160 Accrued Wages Payable	3,042,904	-	5,752
2170 Due to Other Funds	3,302	-	1,956,311
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>4,431,986</u>	<u>-</u>	<u>6,833,048</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,749,984	616,757	-
2600 Total Deferred Inflows of Resources	<u>1,749,984</u>	<u>616,757</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	278,989	-	-
3430 Prepaid Items	71,633	-	44,351
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	9,171,361
3480 Retirement of Long-Term Debt	-	9,137,215	-
Committed Fund Balance:			
3510 Construction	6,000,000	-	-
3530 Capital Expenditures for Equipment	500,000	-	-
3545 Other Committed Fund Balance	1,800,000	-	-
Assigned Fund Balance:			
3550 Construction	20,000,000	-	-
3570 Capital Expenditures for Equipment	340,000	-	-
3580 Self-Insurance	300,000	-	-
3590 Other Assigned Fund Balance	2,520,140	-	-
3600 Unassigned Fund Balance	17,229,166	-	-
3000 Total Fund Balances	<u>49,039,928</u>	<u>9,137,215</u>	<u>9,215,712</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 55,221,898</u>	<u>\$ 9,753,972</u>	<u>\$ 16,048,760</u>

The notes to the financial statements are an integral part of this statement.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	1,299,410	\$	33,314,546
	-		36,745,000
	-		4,421,235
	-		(2,054,494)
	615,008		7,386,094
	-		104,159
	-		2,398,038
	68,884		298,381
	200,799		479,788
	-		115,984
<u>\$</u>	<u>2,184,101</u>	<u>\$</u>	<u>83,208,731</u>
\$	414,999	\$	6,671,764
	62,063		3,110,719
	438,343		2,397,956
	172,947		172,947
<u> </u>	<u>1,088,352</u>	<u> </u>	<u>12,353,386</u>
<u> </u>	<u>-</u>	<u> </u>	<u>2,366,741</u>
<u> </u>	<u>-</u>	<u> </u>	<u>2,366,741</u>
	53,774		332,763
	-		115,984
	373,663		373,663
	-		9,171,361
	-		9,137,215
	-		6,000,000
	-		500,000
	668,312		2,468,312
	-		20,000,000
	-		340,000
	-		300,000
	-		2,520,140
	-		17,229,166
<u> </u>	<u>1,095,749</u>	<u> </u>	<u>68,488,604</u>
<u>\$</u>	<u>2,184,101</u>	<u>\$</u>	<u>83,208,731</u>

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DICKINSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$ 68,488,604
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$352,281,368 and the accumulated depreciation is \$124,198,570. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position. (See Note 6.)	228,082,798
2 Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. The effect of these long-term liabilities is a decrease to net position. (See Note 7.)	(276,381,583)
3 Recognizing deferred revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position.	2,366,741
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$20,650,162, a deferred resource inflow related to TRS in the amount of \$1,536,759 and a deferred resource outflow related to TRS in the amount of \$9,829,727. The net effect of these pension related items is a decrease to net position. (See Note 11.)	(12,357,194)
5 The District uses internal service funds to charge the costs of self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.	1,629,036
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions and recognizing the bond components associated with outstanding debt. Deferred charges on refundings are not financial resources and therefore, are not reported in governmental funds. Deferred charges are amortized over the life of the debt. The net effect is an increase to net position.	3,143,342
19 Net Position of Governmental Activities	<u>\$ 14,971,744</u>

The notes to the financial statements are an integral part of this statement.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 33,449,590	\$ 15,457,328	\$ 259,171
5800 State Program Revenues	52,904,976	2,264,392	-
5900 Federal Program Revenues	1,975,321	585,998	-
5020 Total Revenues	88,329,887	18,307,718	259,171
EXPENDITURES:			
Current:			
0011 Instruction	49,385,630	-	-
0012 Instructional Resources and Media Services	1,072,460	-	-
0013 Curriculum and Instructional Staff Development	239,463	-	-
0021 Instructional Leadership	1,025,438	-	-
0023 School Leadership	4,607,398	-	-
0031 Guidance, Counseling and Evaluation Services	2,219,922	-	-
0032 Social Work Services	88,214	-	-
0033 Health Services	599,033	-	-
0034 Student (Pupil) Transportation	4,344,932	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,911,559	-	-
0041 General Administration	2,856,576	-	-
0051 Facilities Maintenance and Operations	10,292,486	-	-
0052 Security and Monitoring Services	406,558	-	-
0053 Data Processing Services	1,426,662	-	-
0061 Community Services	376,243	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	4,293,565	-
0072 Interest on Long Term Debt	-	12,230,579	-
0073 Bond Issuance Cost and Fees	-	8,225	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	549,231	-	29,547,478
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	114,246	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	86,452	-	-
6030 Total Expenditures	81,602,503	16,532,369	29,547,478
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	6,727,384	1,775,349	(29,288,307)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	22,987	-	-
7949 Other Resources	-	-	151,239
8949 Other (Uses)	(54,722)	-	-
7080 Total Other Financing Sources (Uses)	(31,735)	-	151,239
1200 Net Change in Fund Balances	6,695,649	1,775,349	(29,137,068)
0100 Fund Balance - September 1 (Beginning)	42,344,279	7,361,866	38,352,780
3000 Fund Balance - August 31 (Ending)	\$ 49,039,928	\$ 9,137,215	\$ 9,215,712

The notes to the financial statements are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,129,920	\$ 52,296,009
550,616	55,719,984
8,023,033	10,584,352
11,703,569	118,600,345
4,099,682	53,485,312
30,333	1,102,793
263,517	502,980
145,793	1,171,231
176,961	4,784,359
400,330	2,620,252
-	88,214
2,214	601,247
4,784	4,349,716
5,938,426	5,938,426
428,515	2,340,074
640	2,857,216
70,413	10,362,899
740	407,298
-	1,426,662
3,661	379,904
-	4,293,565
-	12,230,579
-	8,225
871,883	30,968,592
32,625	146,871
-	86,452
12,470,517	140,152,867
(766,948)	(21,552,522)
3,340	26,327
-	151,239
-	(54,722)
3,340	122,844
(763,608)	(21,429,678)
1,859,357	89,918,282
\$ 1,095,749	\$ 68,488,604

DICKINSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (21,429,678)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2016 capital outlays is an increase to net position. (See Note 6.)	30,379,736
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(12,216,265)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. The net effect is to increase net position. (See Note 7.)	5,779,757
The District uses an internal service fund to charge the costs of the certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.	397,653
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(228,799)
Changes in the District's proportionate share of the net pension liability, deferred outflows or resources, and deferred inflows of resources related to the Teacher Retirement System of Texas for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position.	(1,462,751)
Change in Net Position of Governmental Activities	<u><u>\$ 1,219,653</u></u>

The notes to the financial statements are an integral part of this statement.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,009,159
Investments - Current	1,250,000
Accrued Interest	4,581
Due from Other Funds	15,000
Other Receivables	<u>24</u>
Total Assets	<u>2,278,764</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,189
Due to Other Funds	15,000
Accrued Expenses	554,914
Unearned Revenues	<u>78,625</u>
Total Liabilities	<u>649,728</u>
NET POSITION	
Unrestricted Net Position	<u>1,629,036</u>
Total Net Position	<u><u>\$ 1,629,036</u></u>

The notes to the financial statements are an integral part of this statement.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 659,538
Total Operating Revenues	<u>659,538</u>
OPERATING EXPENSES:	
Professional and Contracted Services	280,079
Other Operating Costs	<u>(9,995)</u>
Total Operating Expenses	<u>270,084</u>
Operating Income	<u>389,454</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	<u>8,199</u>
Total Nonoperating Revenues (Expenses)	<u>8,199</u>
Change in Net Position	397,653
Total Net Position - September 1 (Beginning)	<u>1,231,383</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 1,629,036</u></u>

The notes to the financial statements are an integral part of this statement.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 668,252
Cash Payments for Other Operating Expenses	(367,374)
Net Cash Provided by Operating Activities	<u>300,878</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(1,250,000)
Interest and Dividends on Investments	3,618
Net Cash Provided by (Used for) Investing Activities	<u>(1,246,382)</u>
Net Decrease in Cash and Cash Equivalents	(945,504)
Cash and Cash Equivalents at Beginning of Year	<u>1,954,663</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,009,159</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 389,454
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(24)
Increase (decrease) in Accounts Payable	24
Increase (decrease) in Accrued Expenses	(97,314)
Increase (decrease) in Deferred Revenue	8,738
Net Cash Provided by Operating Activities	<u><u>\$ 300,878</u></u>

The notes to the financial statements are an integral part of this statement.

DICKINSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 263,259
Other Receivables	7,065
	<hr/>
Total Assets	\$ 270,324
	<hr/>
LIABILITIES	
Accounts Payable	\$ 68,856
Accrued Wages Payable	472
Due to Other Funds	82
Due to Student Groups	200,914
	<hr/>
Total Liabilities	\$ 270,324
	<hr/>

The notes to the financial statements are an integral part of this statement.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Dickinson Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No. 91 and 93* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting entity – The Board of Trustees (the “Board”), a seven member group, has fiscal responsibility over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the Board that corporately has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the Texas State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, *“The Financial Reporting Entity”*: *Omnibus – an amendment by GASB Statements No. 14 and 34*. There are no component units or entities for which the District is considered financially accountable included within the reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New GASB Pronouncements

GASB has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for periods beginning after June 15, 2015. The statement requires the District to use valuation techniques which are appropriate under the circumstances and are consistent with one or more of the following approaches: a market approach, a cost approach, or an income approach. The statement also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the District's financial statement as a result of the implementation of GASB Statement No. 72. All required disclosures were added to Note 3.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for periods beginning after June 15, 2015. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*, paragraph 64, 74, and 82. There was no material impact on the District's financial statements as a result of the implementation of GASB Statement No. 76.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, is effective for periods beginning after June 15, 2015. The statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The statement also establishes additional note disclosures for qualifying external investment pools. There was no material impact on the District's financial statement as a result of the implementation of GASB Statement No. 79.

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements which provide a more detailed level of financial information.

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 non-fiduciary activities of the District as a whole. For the most part, the effect of inter-fund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds, which are presented in separate columns. Nonmajor governmental funds are aggregated and presented in a single column. Separate financial statements are provided for proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental fund types:

- The *general fund* is the District's primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in another fund are included here.
- The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
- The *capital projects funds* are used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and equipment purchases.
- The nonmajor governmental funds of the District account for grants and other resources of the District whose uses are restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

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Proprietary Fund

The District utilizes internal service fund accounts for workers' compensation services provided to other funds and/or employees of the District on a cost reimbursement basis. Proprietary funds distinguish operating revenue and expense from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds for self-funded workers' compensation services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. See Note 15 for additional discussion of the District's self-insurance plan.

Fiduciary Funds

The District utilizes *agency funds* to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources of agency funds are recorded as assets and liabilities; therefore, those funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the District are included in the statement of net position.

Fund Financial Statements - Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, and fund balances are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Deferred or Unearned Revenues

Deferred or unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance fiscal year 2016 operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Data

The Board adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Child Nutrition Program (which is included in the Nonmajor Governmental Funds). The District compares the final amended budget to actual revenues and expenditures. The Budgetary Comparison Schedules appear in Exhibits F-1, H-2, and H-3.

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

- a) Prior to August 20, the District prepares an operating budget for the next succeeding fiscal year beginning September 1. The budget includes proposed expenditures and the means of financing them.
- b) A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day's public notice of the meeting must be given.
- c) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.

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- d) Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
- e) Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, local government investment pools, overnight investments in money market funds (Sweep), and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value based on quoted market prices at August 31, 2016. The local government investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value.

Inter-fund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "Due from/(to) other funds". Inter-fund balances within governmental activities are eliminated on the government-wide statement of net assets. See Note 5 for additional discussion of inter-fund receivables and payables.

Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated cost if purchased or self-constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives: (See Note 6.)

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-45
Building equipment	10-20
Buses and vehicles	5-10
Office equipment	5-10

Deferred Expenditures/Expenses

Certain payments to vendors reflect costs applicable to the next fiscal period and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

Inventories

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Governmental fund inventories are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is

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recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations.

Long-Term Obligations

The District's long-term obligations consist of bonded indebtedness and compensated absences. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund.

Compensated Absences

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

In addition to the State sick leave program, certain employees are entitled to sick leave benefits under the District's local sick leave program. Individuals whose date of employment is prior to June 1, 1989 are eligible for sick leave upon termination. Under the local sick leave policy, eligible employees may earn up to 6.5 local days per year. (See Note 7.)

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

Pensions

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

Deferred Outflows/Inflows of Resources

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

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

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- Deferred outflow of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6.9029 years.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period

Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- *Net position invested in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- *Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. The government fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered

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nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)

- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.
- *Assigned* – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation and available school revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31 will change and those changes could be material.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

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3. DEPOSITS AND INVESTMENTS

A summary of the District's cash and investments at August 31, 2016 is shown below:

	Cash and Deposits	Investment Pools	Total Cash & Cash Equivalents	Investments	Total Cash & Investments
Governmental funds:					
General fund	\$ 4,319,668	\$ 16,336,699	\$ 20,656,367	\$ 23,011,000	\$ 43,667,367
Debt service fund	1,324,873	7,796,029	9,120,902	-	9,120,902
Capital projects fund	125,768	2,112,099	2,237,867	13,734,000	15,971,867
Nonmajor governmental funds	973,265	326,145	1,299,410	-	1,299,410
Total governmental funds	6,743,574	26,570,972	33,314,546	36,745,000	70,059,546
Proprietary funds	305,689	703,470	1,009,159	1,250,000	2,259,159
Fiduciary funds	177,182	86,077	263,259	-	263,259
Total cash and investments	\$ 7,226,445	\$ 27,360,519	\$ 34,586,964	\$ 37,995,000	\$ 72,581,964

As of August 31, 2016, the District had the following investments:

	Cost	Fair Value	Percentage of Investments	Investment Maturity in Years	
				Less Than 1 Year	1-2 Years
Cash in bank	\$ 7,226,445	\$ 7,226,445		\$ 7,226,445	-
Local government investment pools:					
TexasCLASS	19,612,568	19,612,568	30%	19,612,568	-
LOGIC	4,037,274	4,037,274	6%	4,037,274	-
TexPool	1,240,660	1,240,660	2%	1,240,660	-
TexSTAR	284,412	284,412	0%	284,412	-
TexasDAILY	2,185,605	2,185,605	3%	2,185,605	-
Investment pools - subtotal	27,360,519	27,360,519		27,360,519	-
TexasTERM	31,800,000	31,800,000	49%	31,800,000	-
TexasTERM CD Purchase Program	6,195,000	6,195,000	9%	6,195,000	-
Investments - subtotal	37,995,000	37,995,000	100%	37,995,000	-
Total cash and investments	\$ 72,581,964	\$ 72,581,964		\$ 72,581,964	-

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 depository bank's agent bank. The pledged securities are approved by the TEA and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At August 31, 2016, the carrying amount of the District's deposits (cash) was \$7,226,445 and the bank balance was \$7,848,912. The District's cash deposits at August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

The Public Funds Investment Act (Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the

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U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) securities lending programs, (6) repurchase agreements, (7) bankers acceptances, (8) mutual funds, (9) investment pools, and (10) guaranteed investment contracts.

Texas Cooperative Liquid Assets Securities System (TexasCLASS), Local Government Investment Cooperative (LOGIC), Texas Local Government Investment Pool (TexPool), Texas Short Term Asset Reserve Program (TexSTAR), and Local Government Investment Pool (TexasDAILY) are local government investment “pools” organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investments in TexasCLASS, LOGIC, TexPool, TexSTAR, and TexasDAILY are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Investments in the pools are not exposed to custodial credit because their existence is not evidenced by securities that exist in physical or book entry form.

The District’s investment in TexasTERM is a fixed-rate, fixed-term portfolio rated AAAf by Standard & Poor’s, that enables investors to lock in a fixed rate for a term of 60 days to 365 days. The District also participates in the TexasTERM Certificate of Deposit Purchase Program (CDPP), a fixed-rate, fixed-term investment option enabling investors to invest in FDIC-insured CDs from banks throughout the United States. Participants may lock in a rate for a term of 90 days to 365 days. Each CD investment is held in the name of the participant. At August 31, 2016, the District’s investment in CDPP was entirely covered by FDIC insurance.

The District’s management believes that it has complied with the requirements of the Act and with local policies.

Credit Risk

State law and the District’s investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2016, the District’s investments in TexasCLASS, TexPool, TexSTAR, and TexasDAILY are rated AAAM and LOGIC is rated AAA by Standard and Poor’s.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the District’s name. At year end, the District was not exposed to credit risk.

Concentration of Credit Risk

The District’s investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. At year end, the District was not exposed to concentration of credit risk.

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within the legal limits. The weighted average maturity for the District's investment in external investment pools is less than 60 days. Maturity in the TexasTERM CDPP ranged from 90 days to 365 days.

Fair Value

GASB Statement No. 72 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The District's investments at August 31, 2016, categorized within the fair value hierarchy established by GAAP, were as follows:

Investment Type:	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
TexasTERM CDPP	\$ -	\$ 6,195,000	\$ -	\$ 6,195,000
	\$ -	\$ 6,195,000	\$ -	\$ 6,195,000

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology are quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

4. RECEIVABLES

Receivables as of year end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 1,827,490	\$ 727,166	\$ -	\$ 2,554,656
Property taxes - penalty & interest	1,441,600	424,979	-	1,866,579
Subtotal - property taxes	3,269,090	1,152,145	-	4,421,235
Due from other governments	6,754,773	16,313	615,008	7,386,094
Other	229,497	-	68,884	298,381
Gross receivables	10,253,360	1,168,458	683,892	12,105,710
Less: allowance for doubtful accounts	(1,519,106)	(535,388)	-	(2,054,494)
Total net receivables	\$ 8,734,254	\$ 633,070	\$ 683,892	\$ 10,051,216

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Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenues reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes (General Fund)	\$ 1,749,984	\$ -	\$ 1,749,984
Delinquent property taxes (Debt Service Fund)	616,757	-	616,757
Grant funds received prior to meeting all eligibility requirements (Nonmajor Governmental Funds)	-	172,947	172,947
Total unearned revenues	<u>\$ 2,366,741</u>	<u>\$ 172,947</u>	<u>\$ 2,539,688</u>

Property Taxes

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll, upon which the levy for the 2015-16 fiscal year was based, was \$2.9 billion.

The tax rates assessed for the year ended August 31, 2016, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt, were \$1.04 and \$.50 per \$100 valuation, respectively, for a total of \$1.540 per \$100 valuation.

Current tax collections for the year ended August 31, 2016 were 98% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The property taxes receivable allowance is equal to approximately 46% of outstanding property taxes receivable at August 31, 2016. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Uncollectible personal property taxes are periodically reviewed and written off. Under Sec. 3305 of the Texas Property Code, the District can cancel and remove from the delinquent tax roll, tax on real property that has been delinquent for more than 20 years or tax on personal property that has been delinquent for more than 10 years if there is no pending litigation concerning the delinquent taxes at the time of cancellation and removal.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities.

In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported in the financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 5,830,456	\$ 890,307	\$ 34,010	\$ 6,754,773
Debt Service Fund	-	-	16,313	16,313
Nonmajor Governmental Funds	<u>35,000</u>	<u>519,541</u>	<u>60,467</u>	<u>615,008</u>
Total	<u>\$ 5,865,456</u>	<u>\$ 1,409,848</u>	<u>\$ 110,790</u>	<u>\$ 7,386,094</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT
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5. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Inter-fund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. The composition of inter-fund balances as of August 31, 2016, is as follows:

Fund	Receivable	Payable
General Fund:		
Capital Projects Fund	\$ 1,956,311	\$ -
Nonmajor Governmental Funds	438,343	-
Trust & Agency Funds	82	-
Capital Projects		
General Fund	\$ -	\$ 1,956,311
Trust & Agency Funds:		
General Fund	\$ -	\$ 82
Nonmajor Governmental Funds:		
General Fund	\$ -	\$ 438,343

District activities in the Nonmajor Governmental Funds (Special Revenue Funds) include expenditures paid from a centralized-pooled operating bank account maintained in the General Fund. Since all cash transactions flow through this account, each fund carries a receivable/payable balance with the General Fund. All balances will be repaid within one year.

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2016 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,988,296	\$ 14,015	\$ -	\$ -	\$ 8,002,311
Construction in progress	17,118,942	28,787,810	-	(43,148,824)	2,757,928
Total Capital Assets, not depreciated	25,107,238	28,801,825	-	(43,148,824)	10,760,239
Capital assets, being depreciated:					
Buildings and improvements	275,819,516	98,616	(16,184)	43,148,824	319,050,772
Furniture and equipment	21,052,019	1,479,295	(93,346)	-	22,437,968
Library books and media	32,389	-	-	-	32,389
Total Capital Assets, being depreciated	296,903,924	1,577,911	(109,530)	43,148,824	341,521,129
Less accumulated depreciation for:					
Buildings and improvements	(96,900,514)	(10,794,040)	9,781	-	(107,684,773)
Furniture and equipment	(15,153,829)	(1,418,978)	68,681	-	(16,504,126)
Library books and media	(6,424)	(3,247)	-	-	(9,671)
Total accumulated depreciation	(112,060,767)	(12,216,265)	78,462	-	(124,198,570)
Capital assets, net	<u>\$ 209,950,395</u>	<u>\$ 18,163,471</u>	<u>\$ (31,068)</u>	<u>\$ -</u>	<u>\$ 228,082,798</u>

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Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 7,073,945
12	Instructional resources and media services	145,855
13	Curriculum and instructional staff development	66,524
21	Instructional leadership	154,907
23	School leadership	632,777
31	Guidance, counseling, & evaluation services	346,553
32	Social work services	11,667
33	Health services	79,521
34	Student (pupil) transportation	575,292
35	Food services	785,414
36	Extracurricular activities	309,497
41	General administration	373,663
51	Facilities maintenance and operations	1,370,597
52	Security and monitoring services	51,117
53	Data processing services	188,690
61	Community services	<u>50,246</u>
Total depreciation expense - governmental activities		<u>\$ 12,216,265</u>

7. LONG-TERM LIABILITIES

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas through the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term liabilities include par bonds and capital appreciation (deep discount) serial bonds. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2016, the current debt limitation for the District is \$306,088,526. The District's outstanding debt of \$258,550,000 less the reserve for the retirement of the debt of \$9,137,215 totals \$249,412,785 leaving a legal debt margin of \$56,675,741.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2016.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, term bonds, variable bonds, and capital appreciation bonds (CAB) with various amounts of principal maturing each year. Bonded debt as of August 31, 2016 is as follows:

Description	Interest Rate Payable	Maturity Date	Original Issue	Outstanding
Unlimited tax schoolhouse & refunding bonds, series 2000	5.40-6.05%	02/15/28	\$ 26,297,916	\$ 13,370,000
Unlimited tax schoolhouse bonds, series 2008	4.625-4.75%	02/15/33	30,000,000	30,000,000
Unlimited tax schoolhouse & refunding bonds, series 2010A	2.00-4.25%	02/15/34	22,120,000	17,005,000
Unlimited tax schoolhouse bonds, taxable series 2010B	5.941-6.011%	02/15/38	30,000,000	30,000,000
Variable rate unlimited tax refunding bonds, series 2013	Variable	08/01/37	27,940,000	27,940,000
Unlimited tax refunding bonds, series 2013	1.875-5.00%	02/15/30	23,360,000	22,080,000
Unlimited tax schoolhouse bonds, series 2014	4.00-5.00%	02/15/44	54,755,000	54,650,000
Unlimited tax refunding bonds, series 2014	5.00%	02/15/32	<u>63,505,000</u>	<u>63,505,000</u>
			<u>\$ 277,977,916</u>	<u>\$ 258,550,000</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT
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Variable Rate Terms – On July 20, 2015, outstanding bonds totaling \$27,940,000 were remarketed to a term rate (1.05%) for a period of two years through July 31, 2017. Thereafter, the bonds will bear interest in a mode and at a rate determined by the remarketing agent (JP Morgan Securities LLC) and may change at the District's option from time to time to (a) a weekly or term rate of a different duration or (b) a flexible rate not to exceed the lesser of (i) 7% per annum, or (ii) the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended. In addition, at the option of the District, the bonds bearing interest at a variable rate or flexible rate may be converted in whole or in part to a fixed rate to their maturity.

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Bonds payable:					
Unlimited tax schoolhouse & refunding bonds, series 2000	\$ 13,818,565	\$ -	\$ (448,565)	\$ 13,370,000	\$ -
Unlimited tax schoolhouse bonds, series 2006	2,070,000	-	(2,070,000)	-	-
Unlimited tax schoolhouse bonds, series 2008	30,000,000	-	-	30,000,000	-
Unlimited tax schoolhouse & refunding bonds, series 2010A	17,395,000	-	(390,000)	17,005,000	455,000
Unlimited tax schoolhouse bonds, taxable series 2010B	30,000,000	-	-	30,000,000	-
Variable rate unlimited tax refunding bonds, series 2013	27,940,000	-	-	27,940,000	-
Unlimited tax refunding bonds, series 2013	23,360,000	-	(1,280,000)	22,080,000	1,955,000
Unlimited tax schoolhouse bonds, series 2014	54,755,000	-	(105,000)	54,650,000	520,000
Unlimited tax refunding bonds, series 2014	63,505,000	-	-	63,505,000	1,500,000
	262,843,565	-	(4,293,565)	258,550,000	4,430,000
Deferred amounts:					
Accrued interest	541,244	-	(63,273)	477,971	477,971
Accumulated accretion on capital appreciation bonds	2,357,342	159,370	(696,435)	1,820,277	-
Premium on issuance of bonds	16,789,195	82,604	(997,431)	15,874,368	-
Discount on issuance of bonds	(440,452)	-	35,490	(404,962)	-
Total bonds payable	282,090,894	241,974	(6,015,214)	276,317,654	4,907,971
Other liabilities:					
Compensated absences	70,446	4,922	(11,439)	63,929	-
Total other liabilities	70,446	4,922	(11,439)	63,929	-
Governmental activities long-term liabilities	<u>\$ 282,161,340</u>	<u>\$ 246,896</u>	<u>\$ (6,026,653)</u>	<u>\$ 276,381,583</u>	<u>\$ 4,907,971</u>

Debt service requirements to maturity are as follows:

Year Ended August 31,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2017	\$ 4,430,000	\$ 11,365,112	\$ 15,795,112
2018	4,570,000	12,252,944	16,822,944
2019	7,275,000	11,966,318	19,241,318
2020	7,635,000	11,603,418	19,238,418
2021	8,020,000	11,222,143	19,242,143
2022-2026	43,300,000	52,888,412	96,188,412
2027-2031	58,675,000	37,292,265	95,967,265
2032-2036	71,725,000	22,271,631	93,996,631
2037-2041	38,630,000	6,035,776	44,665,776
2042-2044	14,290,000	872,600	15,162,600
	<u>\$ 258,550,000</u>	<u>\$ 177,770,619</u>	<u>\$ 436,320,619</u>

Accreted Interest on Capital Appreciation Bonds

With capital appreciation bonds, the interest is paid upon maturity of the bonds. In order to properly reflect the amounts payable on these bonds, the annual interest is added to the long-term liabilities as accretion of interest on capital appreciation bonds.

DICKINSON INDEPENDENT SCHOOL DISTRICT
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The interest on these obligations will be paid upon maturity in the fiscal years ending 2016-2025. The values associated with these bonds are reflected in the following table:

	Maturity Value of Bonds	Stated Bond Principal Amount	Accreted Interest on Bonds	Accreted Value of Bond at Year-End
Unlimited tax schoolhouse bonds, series 2008	\$ 3,730,000	\$ 690,000	\$ 1,820,277	\$ 2,510,277
Total	\$ 3,730,000	\$ 690,000	\$ 1,820,277	\$ 2,510,277

Prior Years' Refunding of Long-term Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2016, \$15,890,000 of previously refunded debt outstanding was considered defeased.

Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it has no arbitrage liability as of August 31, 2016.

8. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Local Real & Personal Property Taxes	\$ 32,061,324	\$ 15,405,048	\$ -	\$ -	\$ 47,466,372
Shared Services Arrangements	-	-	-	860,281	860,281
Earnings from Deposits & Investments	253,117	52,280	259,171	5,505	570,073
Campus Activities	-	-	-	752,610	752,610
Athletic Activities	324,448	-	-	-	324,448
Food Service Activity	-	-	-	1,489,434	1,489,434
Miscellaneous & Other Revenues	810,701	-	-	22,090	832,791
	<u>\$ 33,449,590</u>	<u>\$ 15,457,328</u>	<u>\$ 259,171</u>	<u>\$ 3,129,920</u>	<u>\$ 52,296,009</u>

The District receives approximately 47% of total governmental revenues from the State of Texas.

9. GENERAL AND DEBT SERVICE FUNDS FEDERAL REVENUE SOURCES

Federal revenues accounted for in the general and debt service funds consisted of the following:

	General Fund	Debt Service Fund	Total
Medicaid administrative claiming	\$ 76,625	\$ -	\$ 76,625
Medicaid SHARS	1,529,942	-	1,529,942
E-Rate/Fuel rebate reimbursement	276,232	-	276,232
Indirect costs	33,285	-	33,285
ROTC	59,237	-	59,237
IRS credit payment (Build America Bonds)	-	585,998	585,998
	<u>\$ 1,975,321</u>	<u>\$ 585,998</u>	<u>\$ 2,561,319</u>

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10. OPERATING LEASE

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of August 31, 2016. Rental expenditures for the year ended August 31, 2016 approximated \$315,000.

11. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The pension plan is administered by TRS and operates in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension plan 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 plan's Board of Trustees does not have the authority to establish and 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 pension plan.

Pension Plan Fiduciary Net Position. Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by downloading the report from the TRS Internet website, www.trs.state.tx.us; by writing to TRS at 1000 Red River Street, Austin, Texas 78701; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2015:

Net Pension Liability	Total
Total Pension Liability	\$ 163,887,375.172
Less: Plan Fiduciary Net Position	<u>(128,538,706.212)</u>
Net Pension Liability	<u>\$ 35,348,668.960</u>
Net Position as percentage of Total Pension Liability	78.43%

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. (Members who are grandfathered use the three highest annual salaries). 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 or exceeds 80 years. Early retirement is at age 55 with 5 years of service credit or any age below 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the pension plan 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's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee

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contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established contribution rates for the 2016 and 2017 pension plan fiscal years (September to August) as follows:

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE) (State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 Employer Contributions	\$ 1,879,020	
2016 Member Contributions	\$ 4,416,207	
2015 NECE On-Behalf Contributions	\$ 3,013,073	

Contributors to the pension plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the pension plan in accordance with state statutes and the General Appropriations Act (GAA). The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

As the non-employer contributing entity for public education, the State of Texas contributes to the pension plan an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension plan during that fiscal year reduced by the amounts described below which are paid by the employers. Employers, including public 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 source or a privately sponsored source.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.5% to 9.5%
P ayroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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Discount Rate. The discount rate used to measure the total pension plan 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 plan 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 pension plan target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-term Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	<u>5%</u>	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 32,354,912	\$ 20,650,162	\$ 10,900,833

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, the District reported a net pension liability of \$20,652,162 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 20,650,162
State's proportionate share that is associated with the District	<u>33,736,578</u>
Total	<u>\$ 54,386,740</u>

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The net pension liability was measured as of August 31, 2015 and the total pension plan 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 pension plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the District's proportion of the collective net pension liability was .0584185%, which was an increase of .0198513% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation. The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

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Actuarial Methods and Policies

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

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

For the measurement period August 31, 2015, the District recognized pension expense of \$4,806,919 and revenue of \$4,806,919 for support provided by the State in the government-wide financial statements.

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 132,502	\$ 793,604
Changes in Actuarial Assumptions	556,910	736,707
Difference Between Projected and Actual Investment Earnings	2,724,179	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	4,537,116	6,448
Contributions Paid to TRS Subsequent to the Measurement Date (Calculated by District)	1,879,020	-
Total	<u>\$ 9,829,727</u>	<u>\$ 1,536,759</u>

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

Year Ended August 31:	Pension Expense Amount
2017	\$ 1,132,005
2018	1,132,005
2019	1,132,005
2020	1,919,171
2021	639,489
Thereafter	459,273
	<u>\$ 6,413,948</u>

12. RETIREE HEALTH PLAN

Plan Description. The 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 Web site 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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 the fiscal years 2016 – 2014.

Year	Contribution Rates and Contribution Amounts					
	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
8/31/2016	0.65%	\$ 398,676	100%	\$ 576,536	0.55%	\$ 337,357
8/31/2015	0.65%	\$ 368,668	100%	\$ 530,765	0.55%	\$ 311,946
8/31/2014	0.65%	\$ 343,849	100%	\$ 528,997	0.55%	\$ 290,948

The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

13. MEDICARE PART D – ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments made on behalf of the District for fiscal years 2016, 2015, and 2014 were \$236,175, \$230,555, and \$136,923 respectively.

14. OTHER POST EMPLOYMENT BENEFITS

The District does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) and TRS Care described above (Note 12). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the District.

15. RISK MANAGEMENT

General

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

In addition, the District is a member of the Texas Association of School Boards Joint Account Self-Insurance Fund (Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its general and educators' liability coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts.

Health Insurance

The District participates in the Teacher Retirement System of Texas Active Care health care coverage program. This program is a statewide program for public education employees established by the 77th Texas Legislature.

Unemployment Compensation Pool

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year (August 31). The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District participates in the Texas Educational Insurance Association, a public entity risk pool operating as a common risk management and insurance program for member school districts. However, the District is a reimbursing member whereby it does not pay premiums but pays for claims and the cost of handling claims. As such, the District is self-insured.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$225,000 up to the statutory limits for any given claim. The following is a summary of the change in the balance of claims liabilities for workers' compensation for the years ended August 31, 2015, and 2016, respectively:

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2015	\$ 709,460	\$ 158,652	\$ 215,884	\$ 652,228
2016	652,228	48,956	146,270	554,914

16. CONTINGENT LIABILITIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

17. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At August 31, 2016, the District had commitments under construction contracts totaling approximately \$984 thousand.

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

means when a purchase order is prepared, the appropriate accounts are checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes.

Prior to the end of the year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at year end, the District likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, outstanding encumbrances are not considered expenditures for the fiscal year, only a commitment to expend resources. If the District allows encumbrances to lapse, even though it plans to honor encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually reappropriated in the following year's budget. Open encumbrances at fiscal year end are included in restricted, committed, or assigned fund balance, as appropriate.

At August 31, 2016, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

Encumbrances Included in the Following Fund Balance:				
Fund	Restricted	Assigned	Committed	Total
General	\$ -	\$ 520,140	\$ -	\$ 520,140
Capital Projects	2,865,063	-	-	2,865,063
Nonmajor Governmental Funds	19,137	-	3,329	22,466
Total	<u>\$ 2,884,200</u>	<u>\$ 520,140</u>	<u>\$ 3,329</u>	<u>\$ 3,407,669</u>

18. SHARED SERVICE ARRANGEMENTS / JOINT VENTURES

The District is the fiscal agent for a Shared Service Arrangement ("SSA"), which provides educational services to students of member districts. In addition to the District, other member districts include Texas City ISD, La Marque ISD, Galveston ISD, Clear Creek ISD, and Santa Fe ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. The District also receives funding from Galveston County for the program. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 446, Shared Services Arrangements – Transforming Lives Cooper using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

Dickinson Independent School District	\$ 11,394
Texas City Independent School District	638
La Marque Independent School District	8,158
Galveston Independent School District	12,078
Clear Creek Independent School District	6,791
Santa Fe Independent School District	<u>912</u>
	39,971
Galveston County (mandatory placement by judicial system)	33,319
Dickinson Independent School District (Per Capita Apportionment)	<u>40,752</u>
	<u>\$ 114,042</u>

The District is the fiscal agent for a Shared Service Arrangement ("SSA"), which provides educational services for students of member districts. In addition to the District, other member districts include Texas City ISD, La Marque ISD, Santa Fe ISD, Galveston ISD, and Friendswood ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 447, Shared Services Arrangements – Coastal Alternative Program using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

Dickinson Independent School District	\$ 75,199
Texas City Independent School District	43,136
La Marque Independent School District	35,634
Santa Fe Independent School District	29,821
Galveston Independent School District	314,288
Friendswood Independent School District	21,949
Hitchcock Independent School District	<u>21,418</u>
	<u>\$ 541,445</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2016

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides disciplinary alternative education services for students within Galveston County. All services are provided by the fiscal agent. Galveston County provides the funds to the fiscal agent. The District also receives funding from the State of Texas based on student attendance data. The District accounts for the program in Fund No. 448, Shared Services Arrangements – Galveston County Detention Boot C. using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

Galveston County (mandatory placement by judicial system)	\$ 127,684
Dickinson Independent School District (Per Capita Apportionment)	<u>75,800</u>
	<u>\$ 203,484</u>

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides an educational environment for all students that ensures academic growth, emotional well-being, and positive social behaviors. All services are provided by the fiscal agent. Galveston County provides the funds to the fiscal agent. The District also receives funding from the State of Texas based on student attendance data. The District accounts for the program in Fund No. 449, Shared Services Arrangements – JJAEP Juvenile Justice AEP using Model 3 in SSA section of the FASRG. Expenditures of the SSA are summarized below:

Galveston County (mandatory placement by judicial system)	\$ 117,862
	<u>\$ 117,862</u>

19. RELATED ORGANIZATIONS

The Dickinson ISD Education Foundation (“Foundation”), a non-profit entity which was organized in 2007 to provide funds for District teaching and education programs, is a “related organization” as defined by GASB Statement No. 61. The members of the Board of Directors of the Foundation serve without financial compensation.

20. INSTRUCTIONAL MATERIALS ALLOTMENT

In May 2011, Senate Bill 6 repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under IMA, instructional material purchases must be made through TEA’s online requisition system. Instructional materials purchased from IMA totaling \$206,501 are recorded as revenues and expenditures/expenses in the financial statements.

21. SUBSEQUENT EVENTS

In November 2016, the District issued \$64,475,000 in Unlimited Tax Schoolhouse Bonds, Series 2016A. The bonds were issued at a net premium of \$70,693,702 and issuance costs of \$581,677. The bonds bear interest from 2% to 5% and are due in annual installments ranging from \$965,000 to \$4,175,000 through February 15, 2049. Proceeds from the sale of the bonds will be used (i) for the construction, acquisition, and equipment of school buildings, and (ii) to pay for the costs of issuing the bonds.

In addition, the District issued \$27,720,000 in Unlimited Tax Refunding Bonds, Series 2016B to refund \$29,310,000 of the outstanding Unlimited Tax Schoolhouse Bonds, Series 2008. The bonds were issued at a net premium of \$30,830,546 and issuance costs of \$251,131. The Series 2016B bonds bear interest from 3.0% to 5% and are due in annual installments ranging from \$1,720,000 to \$5,380,000 through February 15, 2033. As a result of this refunding, the District reduced its total debt service requirements by \$6,426,244 and realized a present value savings of \$4,801,008.

The District has evaluated subsequent events through December 9, 2016, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 34,390,369	\$ 34,444,001	\$ 33,449,590	\$ (994,411)
5800	State Program Revenues	49,280,939	49,280,939	52,904,976	3,624,037
5900	Federal Program Revenues	575,000	575,000	1,975,321	1,400,321
5020	Total Revenues	84,246,308	84,299,940	88,329,887	4,029,947
EXPENDITURES:					
Current:					
0011	Instruction	50,711,209	50,050,516	49,385,630	664,886
0012	Instructional Resources and Media Services	1,120,480	1,187,255	1,072,460	114,795
0013	Curriculum and Instructional Staff Development	296,779	331,851	239,463	92,388
0021	Instructional Leadership	1,078,149	1,188,494	1,025,438	163,056
0023	School Leadership	4,799,494	4,818,296	4,607,398	210,898
0031	Guidance, Counseling and Evaluation Services	2,275,994	2,327,667	2,219,922	107,745
0032	Social Work Services	91,064	121,064	88,214	32,850
0033	Health Services	634,891	676,102	599,033	77,069
0034	Student (Pupil) Transportation	5,055,329	5,156,829	4,344,932	811,897
0036	Extracurricular Activities	1,961,349	2,174,406	1,911,559	262,847
0041	General Administration	3,109,489	3,187,291	2,856,576	330,715
0051	Facilities Maintenance and Operations	9,305,503	12,034,534	10,292,486	1,742,048
0052	Security and Monitoring Services	437,071	546,002	406,558	139,444
0053	Data Processing Services	1,625,504	1,637,745	1,426,662	211,083
0061	Community Services	554,544	613,989	376,243	237,746
Capital Outlay:					
0081	Facilities Acquisition and Construction	340,000	1,107,377	549,231	558,146
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	2,357,449	157,449	114,246	43,203
0095	Payments to Juvenile Justice Alternative Ed. Prg.	170,000	170,000	86,452	83,548
6030	Total Expenditures	85,924,298	87,486,867	81,602,503	5,884,364
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,677,990)	(3,186,927)	6,727,384	9,914,311
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	5,000	5,000	22,987	17,987
8949	Other (Uses)	-	(75,000)	(54,722)	20,278
7080	Total Other Financing Sources (Uses)	5,000	(70,000)	(31,735)	38,265
1200	Net Change in Fund Balances	(1,672,990)	(3,256,927)	6,695,649	9,952,576
0100	Fund Balance - September 1 (Beginning)	42,344,279	42,344,279	42,344,279	-
3000	Fund Balance - August 31 (Ending)	\$ 40,671,289	\$ 39,087,352	\$ 49,039,928	\$ 9,952,576

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT F-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0584185%	0.0385672%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 20,650,162	\$ 10,301,832
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	33,736,578	27,944,567
Total	<u>\$ 54,386,740</u>	<u>\$ 38,246,399</u>
District's Covered-Employee Payroll	\$ 56,717,701	\$ 52,899,723
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	36.41%	19.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT F-3

	2016	2015
Contractually Required Contribution	\$ 1,879,020	\$ 1,729,798
Contribution in Relation to the Contractually Required Contribution	(1,879,020)	(1,729,798)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 61,334,317	\$ 56,717,701
Contributions as a Percentage of Covered-Employee Payroll	3.06%	3.05%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2016**

Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balance

Budgetary Information

The District adopts an “appropriated budget” for the General Fund, the Debt Service Fund, and the Child Nutrition Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available or estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2016.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2015. The budget was adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods and purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year’s budget.

Notes to Schedule of the District’s Proportionate Share of the Net Pension Liability

Changes in Benefit Terms

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

Changes of Assumptions

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

Economic Assumptions

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

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2016

4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

COMBINING SCHEDULES

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes		211	224	225
		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	134,991	173,154	1,879
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1000	Total Assets	<u>\$ 134,991</u>	<u>\$ 173,154</u>	<u>\$ 1,879</u>
LIABILITIES				
2110	Accounts Payable	\$ 802	\$ 9,214	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	134,189	163,940	1,879
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>134,991</u>	<u>173,154</u>	<u>1,879</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 134,991</u>	<u>\$ 173,154</u>	<u>\$ 1,879</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 Bilingual Summer School	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State Special Revenue Funds
\$ 484,587	\$ -	\$ -	\$ -	\$ -	\$ 7,183	\$ 87,689	\$ 203
164,341	12,038	49,489	18,649	-	-	-	-
52,563	-	-	-	-	-	-	-
200,799	-	-	-	-	-	-	-
<u>\$ 902,290</u>	<u>\$ 12,038</u>	<u>\$ 49,489</u>	<u>\$ 18,649</u>	<u>\$ -</u>	<u>\$ 7,183</u>	<u>\$ 87,689</u>	<u>\$ 203</u>
\$ 265,765	\$ 1,599	\$ 709	\$ -	\$ -	\$ -	\$ 74,172	\$ -
62,063	-	-	-	-	-	-	-
-	10,439	48,780	18,649	-	-	-	-
147,025	-	-	-	-	7,183	13,517	203
<u>474,853</u>	<u>12,038</u>	<u>49,489</u>	<u>18,649</u>	<u>-</u>	<u>7,183</u>	<u>87,689</u>	<u>203</u>
53,774	-	-	-	-	-	-	-
373,663	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>427,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 902,290</u>	<u>\$ 12,038</u>	<u>\$ 49,489</u>	<u>\$ 18,649</u>	<u>\$ -</u>	<u>\$ 7,183</u>	<u>\$ 87,689</u>	<u>\$ 203</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes		446 SSA - Transforming Lives Cooper	447 SSA - Coastal Alternative Program	448 SSA - Galv. County Deten. Boot C.	449 SSA-Juvenile Justice AEP
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 5,159	\$ -	\$ -
1240	Receivables from Other Governments	-	-	1,383	59,084
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 5,159</u>	<u>\$ 1,383</u>	<u>\$ 59,084</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 140	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	1,383	59,084
2300	Unearned Revenues	-	5,019	-	-
2000	Total Liabilities	<u>-</u>	<u>5,159</u>	<u>1,383</u>	<u>59,084</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 5,159</u>	<u>\$ 1,383</u>	<u>\$ 59,084</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 714,589	\$ 1,299,410
-	615,008
16,321	68,884
-	200,799
<u>\$ 730,910</u>	<u>\$ 2,184,101</u>
\$ 62,598	\$ 414,999
-	62,063
-	438,343
-	172,947
<u>62,598</u>	<u>1,088,352</u>
-	53,774
-	373,663
668,312	668,312
<u>668,312</u>	<u>1,095,749</u>
<u>\$ 730,910</u>	<u>\$ 2,184,101</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	1,678,490	1,458,933	22,559
5020	Total Revenues	1,678,490	1,458,933	22,559
EXPENDITURES:				
Current:				
0011	Instruction	1,493,263	959,947	22,559
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	178,934	29,254	-
0021	Instructional Leadership	1,863	31,517	-
0023	School Leadership	-	1,135	-
0031	Guidance, Counseling and Evaluation Services	1,285	398,045	-
0033	Health Services	-	2,214	-
0034	Student (Pupil) Transportation	-	4,196	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community Services	3,145	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	32,625	-
6030	Total Expenditures	1,678,490	1,458,933	22,559
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 Bilingual Summer School	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State Special Revenue Funds
\$ 1,517,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
216,296	-	-	-	-	11,267	206,501	-
4,418,519	116,601	225,664	92,249	10,018	-	-	-
6,151,844	116,601	225,664	92,249	10,018	11,267	206,501	-
-	106,154	136,357	79,640	10,018	-	206,501	-
-	9,747	-	-	-	-	-	-
-	700	9,277	12,359	-	11,267	-	-
-	-	52,898	250	-	-	-	-
-	-	27,132	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,938,426	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
67,527	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
871,883	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,877,836	116,601	225,664	92,249	10,018	11,267	206,501	-
(725,992)	-	-	-	-	-	-	-
3,340	-	-	-	-	-	-	-
(722,652)	-	-	-	-	-	-	-
1,150,089	-	-	-	-	-	-	-
\$ 427,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DICKINSON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		446 SSA - Transforming Lives Cooper	447 SSA - Coastal Alternative Program	448 SSA - Galv. County Deten. Boot C.	449 SSA-Juvenile Justice AEP
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 73,290	\$ 541,445	\$ 127,684	\$ 117,862
5800	State Program Revenues	40,752	-	75,800	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>114,042</u>	<u>541,445</u>	<u>203,484</u>	<u>117,862</u>
EXPENDITURES:					
Current:					
0011	Instruction	114,042	395,587	203,484	89,398
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	28,463	-	28,464
0023	School Leadership	-	117,395	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	<u>114,042</u>	<u>541,445</u>	<u>203,484</u>	<u>117,862</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 752,610	\$ 3,129,920
-	550,616
-	8,023,033
<u>752,610</u>	<u>11,703,569</u>
282,732	4,099,682
20,586	30,333
21,726	263,517
2,338	145,793
31,299	176,961
1,000	400,330
-	2,214
588	4,784
-	5,938,426
428,515	428,515
640	640
2,886	70,413
740	740
516	3,661
-	871,883
-	32,625
<u>793,566</u>	<u>12,470,517</u>
(40,956)	(766,948)
-	3,340
(40,956)	(763,608)
<u>709,268</u>	<u>1,859,357</u>
<u>\$ 668,312</u>	<u>\$ 1,095,749</u>

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COMPLIANCE SCHEDULES

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.390000	2,124,982,587
2009	1.040000	0.460000	2,333,951,667
2010	1.040000	0.464000	2,262,948,271
2011	1.040000	0.500000	2,315,347,013
2012	1.040000	0.500000	2,286,305,260
2013	1.040000	0.500000	2,377,857,727
2014	1.040000	0.500000	2,649,688,574
2015	1.040000	0.500000	2,794,843,182
2016 (School year under audit)	1.040000	0.500000	2,916,730,130
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 609,490	\$ -	\$ 9,284	\$ 1,702	\$ (60,241)	\$ 538,263
84,098	-	2,567	963	(750)	79,818
89,030	-	2,512	1,111	(601)	84,806
159,539	-	10,123	4,516	(627)	144,273
139,945	-	17,848	8,580	2,120	115,637
164,226	-	43,256	20,796	25,810	125,984
200,390	-	50,239	24,153	23,010	149,008
298,963	-	87,595	42,113	23,439	192,694
746,735	-	255,535	122,853	(3,596)	364,751
-	44,917,644	31,320,350	15,057,861	2,219,989	759,422
<u>\$ 2,492,416</u>	<u>\$ 44,917,644</u>	<u>\$ 31,799,309</u>	<u>\$ 15,284,648</u>	<u>\$ 2,228,553</u>	<u>\$ 2,554,656</u>

See Note 4 on page 39 for reconciliation to Exhibit C-1.

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,426,701	\$ 2,426,701	\$ 1,517,029	\$ (909,672)
5800	State Program Revenues	178,019	178,019	216,296	38,277
5900	Federal Program Revenues	6,240,000	6,240,000	4,418,519	(1,821,481)
5020	Total Revenues	8,844,720	8,844,720	6,151,844	(2,692,876)
EXPENDITURES:					
0035	Food Services	8,731,699	8,739,968	5,938,426	2,801,542
0051	Facilities Maintenance and Operations	113,021	113,021	67,527	45,494
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	871,883	871,883	-
6030	Total Expenditures	8,844,720	9,724,872	6,877,836	2,847,036
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(880,152)	(725,992)	154,160
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	3,340	3,340
1200	Net Change in Fund Balances	-	(880,152)	(722,652)	157,500
0100	Fund Balance - September 1 (Beginning)	1,150,089	1,150,089	1,150,089	-
3000	Fund Balance - August 31 (Ending)	\$ 1,150,089	\$ 269,937	\$ 427,437	\$ 157,500

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 14,664,000	\$ 14,664,000	\$ 15,457,328	\$ 793,328
5800	State Program Revenues	1,600,000	1,600,000	2,264,392	664,392
5900	Federal Program Revenues	580,000	580,000	585,998	5,998
5020	Total Revenues	16,844,000	16,844,000	18,307,718	1,463,718
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,294,000	3,813,591	4,293,565	(479,974)
0072	Interest on Long Term Debt	12,250,000	12,730,409	12,230,579	499,830
0073	Bond Issuance Cost and Fees	300,000	300,000	8,225	291,775
6030	Total Expenditures	16,844,000	16,844,000	16,532,369	311,631
1200	Net Change in Fund Balances	-	-	1,775,349	1,775,349
0100	Fund Balance - September 1 (Beginning)	7,361,866	7,361,866	7,361,866	-
3000	Fund Balance - August 31 (Ending)	\$ 7,361,866	\$ 7,361,866	\$ 9,137,215	\$ 1,775,349

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FEDERAL AWARDS SECTION

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Start, Garcia & Stanley, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
DICKINSON INDEPENDENT SCHOOL DISTRICT
Dickinson, Texas

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dickinson Independent School District (the District) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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


Start, Garcia & Stanley, LLC

Baytown, Texas
December 9, 2016



Start, Garcia & Stanley, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
DICKINSON INDEPENDENT SCHOOL DISTRICT
Dickinson, Texas

Report on Compliance for Each Major Federal Program

We have audited Dickinson Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulation, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 U.S. generally accepted auditing standards; 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* 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 August 31, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of

compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Start, Garcia & Stanley, LLC

Baytown, Texas
December 9, 2016

**DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted: yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027; 84.173	Special Education Cluster (IDEA)
84.367	ESEA, Title II, Part A Teacher/Principal Training

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

**DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

II. FINANCIAL STATEMENT FINDINGS

None Noted

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Noted

IV. STATUS OF PRIOR YEAR FINDING

None Noted

V. CORRECTIVE ACTION PLAN

None Noted

DICKINSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Reserve Officers' Training Corp. (ROTC)	12.000	TX080083	\$ 59,237
Total Direct Programs			\$ 59,237
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 59,237
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010	16610101084901	\$ 1,609,787
*ESEA, Title I, Part D, Subpart 2	84.010	16610103084901	98,043
Total CFDA Number 84.010			1,707,830
Total Title I, Part A Cluster			
*IDEA - Part B, Formula	84.027	166600010849016600	1,458,933
*IDEA - Part B, Preschool	84.173	166610010849016610	22,559
Total Special Education Cluster (IDEA)			1,481,492
Career and Technical - Basic Grant	84.048	16420006084901	116,601
Title III, Part A - English Language Acquisition	84.365	16671001084901	92,249
ESEA, Title II, Part A, Teacher/Principal Training	84.367	16694501084901	229,609
Bilingual Summer School	84.369	69551502	10,018
Total Passed Through State Department of Education			\$ 3,637,799
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 3,637,799
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	084901	\$ 76,625
Total Passed Through Texas Dept of Human Services			\$ 76,625
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 76,625
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	\$ 966,910
*National School Lunch Program - Cash Assistance	10.555	71301601	3,156,618
*National School Lunch Prog. - Non-Cash Assistance	10.555	084901	294,991
Total CFDA Number 10.555			3,451,609
Total Child Nutrition Cluster			4,418,519
Total Passed Through the State Department of Agriculture			\$ 4,418,519
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 4,418,519
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,192,180

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DICKINSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Note 1 – Basis of Accounting

The District accounts for all awards under federal programs in the General, Debt Service, and certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e, both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 2 – Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal award programs per Exhibit I-1 and expenditures reported on Exhibit C-3:

Schedule of federal expenditures (Exhibit I-1)	\$ 8,192,180
Medicaid SHARS federal revenue accounted for in the General Fund	1,529,942
E-Rate/Fuel rebate reimbursements	276,232
IRS credit payment accounted for in the Debt Service Fund	<u>585,998</u>
Federal program revenues (Exhibit C-3)	<u>\$ 10,584,352</u>

SCHOOLS FIRST QUESTIONNAIRE

DICKINSON INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2016

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?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	1820277
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	20650162
SF13	Pension Expense (6147) at fiscal year-end.	1462751