

**DRIPPING SPRINGS INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2014

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

FOR THE YEAR ENDED JUNE 30, 2014

<u>Exhibit Number</u>	<u>Page Number</u>
Certificate of Board.....	ii
FINANCIAL SECTION	
Independent Auditors' Report.....	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
A-1 Statement of Net Position.....	12
B-1 Statement of Activities.....	13
Fund Financial Statements:	
C-1 Balance Sheet - Governmental Funds.....	14
C-1R Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	17
C-2 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
C-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
C-4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund	21
D-1 Statement of Net Position - Proprietary Fund.....	22
D-2 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	23
D-3 Statement of Cash Flows - Proprietary Fund	24
E-1 Statement of Fiduciary Net Position - Fiduciary Fund.....	25
E-2 Statement of Changes in Fiduciary Net Position - Fiduciary Fund	26
Notes to the Financial Statements	27
Combining Funds Financial Statements:	
H-1 Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds	42
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds - Special Revenue Funds.....	46
I-1 Combining Statement of Net Position – Nonmajor Proprietary Funds.....	50
I-2 Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds.....	51
I-3 Combining Statement of Cash Flows - Nonmajor Proprietary Funds	52
Supplementary Information:	
J-1 Schedule of Delinquent Taxes Receivable.....	54
J-2 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – National School Breakfast and Lunch Program.....	56
J-3 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	57
Overall Compliance, Internal Control Section and Federal Awards:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	62
Schedule of Findings and Questioned Costs	65
Summary Schedule of Prior Audit Findings.....	67
Corrective Action Plan.....	68
K-1 Schedule of Expenditures of Federal Awards	69
Notes to Schedule of Expenditures of Federal Awards.....	70
L-1 Schedule of Required Responses to Selected School First Indicators.....	71

CERTIFICATE OF BOARD

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

Name of School

HAYS

County

105-904

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and

[X] APPROVED --- [] DISAPPROVED
(Check One)

for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 27th day of October, 2014.



SIGNATURE OF BOARD SECRETARY



SIGNATURE OF BOARD PRESIDENT

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

FINANCIAL SECTION

HLSK

Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1. F. Accounting Changes in the notes to the financial statements, in 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dripping Springs Independent School District's basic financial statements. The combining fund financial statements and supplementary information, including the schedule of required responses to selected school first indicators, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining funds financial statements and supplementary information, including the schedule of required responses to selected school first indicators, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and supplementary information, including the schedule of required responses to selected school first indicators, 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 October 20, 2014, on our consideration of the Dripping Springs Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dripping Springs Independent School District's internal control over financial reporting and compliance.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
October 20, 2014

Management's Discussion and Analysis

As management of the Dripping Springs Independent School District ("the District"), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation and net taxes receivable.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities at year-end by \$54,842,898 (net position). Of this amount, \$22,820,009 (unrestricted net position) is available to meet the District's ongoing obligations to students and creditors in subsequent years.
- The District's total net position increased by \$4,430,481 from current operations, decreased \$1,261,371 from the implementation of GASB 65.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$34,658,851, an increase of \$3,390,076 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was \$16,062,958, or 46 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$3,631,028 (3 percent) during the year.

Overview of the Financial Statements

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

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

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

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

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes, intergovernmental revenues, and charges for services. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Service, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, and Other Intergovernmental Charges.*

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

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

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

The District maintained twenty individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation titled *nonmajor other governmental*.

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

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

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

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

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

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

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

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

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities by \$54,842,898, an increase of \$3,169,110 over the preceding year, which includes the prior period adjustment for GASB 65 in the amount of \$1,261,371.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 39,589,882	\$ 39,470,648	\$ 1,127,954	\$ 50,142	\$ 40,717,836	\$ 39,520,790
Capital Assets, net of						
Accumulated Depreciation	143,914,216	146,739,837	-	-	143,914,216	146,739,837
Total Assets	183,504,098	186,210,485	1,127,954	50,142	184,632,052	186,260,627
Total Deferred Outflows of Resources	1,423,293	1,591,501	-	-	1,423,293	1,591,501
Other Liabilities	5,776,825	8,024,831	333,625	(579,516)	6,110,450	7,445,315
Long-Term Liabilities Outstanding	125,101,997	128,733,025	-	-	125,101,997	128,733,025
Total Liabilities	130,878,822	136,757,856	333,625	(579,516)	131,212,447	136,178,340
Net Position:						
Net Investment in Capital Assets	21,606,678	20,357,255	-	-	21,606,678	20,357,255
Restricted for Grants	1,152,101	1,728,006	-	-	1,152,101	1,728,006
Restricted for Debt Service	8,568,241	8,402,295	-	-	8,568,241	8,402,295
Unrestricted	22,721,549	20,556,574	794,329	629,658	23,515,878	21,186,232
Total Net Position	\$ 54,048,569	\$ 51,044,130	\$ 794,329	\$ 629,658	\$ 54,842,898	\$ 51,673,788

The largest portion of the District's net position is unrestricted. Investment in capital assets (e.g., land and improvements, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding represent 39 percent of the District's net position. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position of \$8,469,781, which represents 15 percent of total net position, is restricted for future debt service. *Unrestricted* net position of \$22,820,009 may be used to meet future obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position for governmental and business-type activities.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program Revenues:						
Charges for Services	\$ 3,451,956	\$ 2,512,121	\$ 1,545,244	\$ 1,266,122	\$ 4,997,200	\$ 3,778,243
Operating Grants and Contributions	3,631,416	4,736,301	59,834	43,756	3,691,250	4,780,057
General Revenues:						
Property Taxes, Levied for General Purposes	29,045,621	27,580,301	-	-	29,045,621	27,580,301
Property Taxes, Levied for Debt Service	12,564,192	11,924,995	-	-	12,564,192	11,924,995
Investment Earnings	25,390	72,678	-	-	25,390	72,678
Grants and Contributions Not Restricted to Specific Programs	4,479,647	5,278,784	-	-	4,479,647	5,278,784
Gain (Loss) on Sale of Capital Asset	3,739	-	-	-	3,739	-
Miscellaneous	74,430	264,605	-	-	74,430	264,605
Total Revenues	53,276,391	52,369,785	1,605,078	1,309,878	54,881,469	53,679,663
Expenses:						
Instruction	22,763,706	20,994,128	-	-	22,763,706	20,994,128
Instructional Resources and Media Services	575,657	489,096	-	-	575,657	489,096
Curriculum and Instructional Staff Development	618,163	566,950	-	-	618,163	566,950
Instructional Leadership	410,629	421,162	-	-	410,629	421,162
School Leadership	2,140,004	1,971,826	-	-	2,140,004	1,971,826
Guidance, Counseling, and Evaluation Services	1,159,558	1,186,781	-	-	1,159,558	1,186,781
Health Services	313,717	270,674	-	-	313,717	270,674
Student Transportation	1,686,501	1,605,779	-	-	1,686,501	1,605,779
Food Services	2,267,877	2,155,448	-	-	2,267,877	2,155,448
Extracurricular Activities	2,110,066	1,720,724	-	-	2,110,066	1,720,724
General Administration	1,533,542	1,588,188	-	-	1,533,542	1,588,188
Plant Maintenance and Operations	5,594,668	5,348,845	-	-	5,594,668	5,348,845
Security and Monitoring Services	187,678	92,483	-	-	187,678	92,483
Data Processing Services	956,908	738,598	-	-	956,908	738,598
Community Services	5,241	2,067	-	-	5,241	2,067
Interest on Long-term Debt	6,256,160	6,133,837	-	-	6,256,160	6,133,837
Issuance Costs and Fees	17,295	-	-	-	17,295	-
Facilities Repair and Maintenance	13,064	165,896	-	-	13,064	165,896
Contracted Instructional Services Between Schools	-	875,069	-	-	-	875,069
Other Intergovernmental Charges	364,662	371,954	-	-	364,662	371,954
Day Care	-	-	278,108	212,271	278,108	212,271
Community Education	-	-	1,159,301	947,566	1,159,301	947,566
School Store	-	-	38,483	7,361	38,483	7,361
Total Expenses	48,975,096	46,699,505	1,475,892	1,167,198	50,450,988	47,866,703
Increase in Net Position before Transfers	4,301,295	5,670,280	129,186	142,680	4,430,481	5,812,960
Transfers	(35,485)	(58,811)	35,485	58,811	-	-
Change in Net Position	4,265,810	5,611,469	164,671	201,491	4,430,481	5,812,960
Net Position - Beginning	51,044,130	45,432,661	629,658	428,167	51,673,788	45,860,828
Prior Period Adjustment - Implement GASB 65 for Bond Issuance Costs	(1,261,371)	-	-	-	(1,261,371)	-
Net Position - Beginning, as restated	49,782,759	45,432,661	629,658	428,167	50,412,417	45,860,828
Net Position - Ending	\$ 54,048,569	\$ 51,044,130	\$ 794,329	\$ 629,658	\$ 54,842,898	\$ 51,673,788

Governmental Activities. Governmental activities increased the District's net position by \$4,265,810 from current operations and decreased \$1,261,371 from the implementation of GASB 65. Key elements of this change may be determined from the table above.

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

Revenues, aggregating \$49,720,876, were generated primarily from two sources. Property taxes of \$41,609,813 represent 78 percent of total revenues while grants and contributions (including those not restricted for program-specific use as well as for general operations, totaling \$8,111,063), represent 15 percent of total revenues. The remaining 7 percent is generated from investment earnings, charges for services, gains (losses) on sales of capital assets, and miscellaneous revenues.

The primary functional expenses of the District are *Instruction* \$22,763,706, which represents 46 percent of total expenses, Interest on Long-term Debt of \$6,256,160 (13 percent), and Plant Maintenance and Operations of \$5,594,668 (11 percent), while all remaining expense categories are individually 10 percent or less of total expenses.

Business-type activities. Business-type activities increased in the District's net position by \$164,671. Revenues increased by \$295,200, or 23 percent, primarily due to the increase of community participation in the daycare and community education services provided. Expenditures increased by \$308,694, or 26 percent, which was relative to the increase in revenues.

Financial Analysis of the Government's Funds

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

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$34,658,851, an increase of \$3,390,076 from the preceding year. Comments as to each individual major fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$16,062,958, while total fund balance was \$21,427,854. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46 percent of total general fund expenditures, while total fund balance represents 61 percent of that same total. The fund balance of the general fund increased \$763,166 during the year, primarily due to the increase in property tax levy due to an increase in appraised values.

The debt service fund ended the year with a total fund balance of \$11,180,852, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$2,778,557 during the year, primarily due to the increase in property tax levy due to an increase in appraised values as well as a decrease in scheduled debt requirements as a result of a bond refunding in the prior year.

The capital projects fund has a total fund balance of \$450,759. The net decrease in fund balance during the current year in the capital projects fund was \$319,550 due to expenditures for capital projects as authorized per the bond issue.

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

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

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. There were no significant differences between the original budget and the final amended budget of the general fund.

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

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2014 was \$143,914,216 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The decrease in net investment in capital assets for the current fiscal year was \$2,825,621.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS

(Net of Depreciation)

	Governmental Activities					
	2014		2013		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 7,359,296	5	\$ 7,101,004	5	\$ 258,292	4
Buildings and Improvements	133,104,763	93	135,875,430	93	(2,770,667)	(2)
Furniture and Equipment	3,450,157	2	3,488,074	2	(37,917)	(1)
Construction in Progress	-	-	275,329	-	(275,329)	(100)
Totals	\$ 143,914,216	100	\$ 146,739,837	100	\$ (2,825,621)	

Major capital asset activity during the year included the following:

- Three new buses were purchased at a cost of \$287,708.
- Construction in progress of \$494,376 was completed for a new waste water system.

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

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

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

	Governmental Activities					
	2014		2013		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 125,101,997	100	\$ 128,733,025	100	\$ (3,631,028)	(3)
Totals	\$ 125,101,997	100	\$ 128,733,025	100	\$ (3,631,028)	

The District's total bonded debt decreased by \$3,631,028 (3 percent) during the current fiscal year, which resulted primarily from scheduled payments. The debt is supported by the full faith and credit of the District, as further guaranteed by the Permanent School Fund of the State of Texas.

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

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

Economic Factors and Next Year's Budgets and Tax Rates

- School year (2014-15) student enrollment is, 5,407, a 12 percent increase from the preceding year.
- District staff totals 654 employees in 2014-15, of which 342 are teachers and 128 are teacher aides and secretaries.
- The District maintains 5 campuses for student instruction.
- Property values of the District are projected to increase 9% for the 2014-15 year.
- A maintenance and operations tax rate of \$1.04 and a debt service tax rate of \$.48, a total rate of \$1.52, were adopted for 2014-15. Preceding year rates were \$1.04, \$.45 and \$1.49, respectively.
- The district issued Series 2014 Unlimited Tax School Building and Refunding Bonds for \$163,475,000, which consisted of \$92,410,000 in new debt and \$71,065,000 in refunding bonds used to defease bonds previously issued.

All of these factors and others were considered in preparing the District's budget for the 2014-15 fiscal year.

During 2013-14, fund balance in the general fund increased \$763,166. District Policy requires the District to maintain an assigned and unassigned fund balance each fiscal year end that equals or exceeds the amount necessary to cover four months of the District's average operating expenses for the coming year. The general fund balance increase extends that coverage to more than five months of average operating expenses.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2014

Data Control Codes	Primary Government			
	Governmental Activities	Business-type Activities	Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 4,314,655	\$ 500	\$ 4,315,155
1120	Current Investments	33,477,131	-	33,477,131
1225	Property Taxes Receivables (Net)	1,209,189	-	1,209,189
1240	Due from Other Governments	1,340,224	-	1,340,224
1260	Internal Balances	(1,099,139)	1,099,139	-
1267	Due From Fiduciary Funds	511	-	511
1290	Other Receivables (Net)	5,830	-	5,830
1300	Inventories	294,831	28,165	322,996
1410	Prepaid Items	46,650	150	46,800
	Capital Assets, Not Being Depreciated:			
1510	Land and Improvements	7,359,296	-	7,359,296
	Capital Assets, Net of Accumulated Depreciation:			
1520	Buildings and Improvements	133,104,763	-	133,104,763
1530	Furniture and Equipment	3,450,157	-	3,450,157
1000	Total Assets	<u>183,504,098</u>	<u>1,127,954</u>	<u>184,632,052</u>
DEFERRED OUTFLOWS OF RESOURCES				
1700	Deferred Charge on Refunding	1,423,293	-	1,423,293
	Total Deferred Outflows of Resources	<u>1,423,293</u>	<u>-</u>	<u>1,423,293</u>
LIABILITIES				
2110	Accounts Payable	353,151	24,830	377,981
2140	Interest Payable	2,054,983	-	2,054,983
2150	Payroll Deductions and Withholdings	64,320	2,579	66,899
2160	Accrued Wages Payable	3,187,530	135,276	3,322,806
2180	Due to Other Governments	3,631	-	3,631
2300	Unearned Revenue	113,210	170,940	284,150
	Noncurrent Liabilities:			
2501	Due within One Year	4,915,000	-	4,915,000
2502	Due in More Than One Year	120,186,997	-	120,186,997
2000	Total Liabilities	<u>130,878,822</u>	<u>333,625</u>	<u>131,212,447</u>
NET POSITION				
3200	Net Investment in Capital Assets	21,606,678	-	21,606,678
3450	Restricted for Grants	1,152,101	-	1,152,101
3480	Restricted for Debt Service	8,568,241	-	8,568,241
3900	Unrestricted	22,721,549	794,329	23,515,878
3000	Total Net Position	<u>\$ 54,048,569</u>	<u>\$ 794,329</u>	<u>\$ 54,842,898</u>

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-1

Data Control Codes	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
0011	Instruction	\$ 22,763,706	\$ 604,150	\$ 2,061,708	\$ (20,097,848)	\$ -	\$ (20,097,848)
0012	Instructional Resources and Media Services	575,657	78,486	54,583	(442,588)	-	(442,588)
0013	Curriculum and Instructional Staff Development	618,163	6,203	92,749	(519,211)	-	(519,211)
0021	Instructional Leadership	410,629	-	30,196	(380,433)	-	(380,433)
0023	School Leadership	2,140,004	24,740	106,209	(2,009,055)	-	(2,009,055)
0031	Guidance, Counseling, and Evaluation Services	1,159,558	7,616	352,608	(799,334)	-	(799,334)
0033	Health Services	313,717	30	15,871	(297,816)	-	(297,816)
0034	Student Transportation	1,686,501	-	72,918	(1,613,583)	-	(1,613,583)
0035	Food Service	2,267,877	1,909,367	376,375	17,865	-	17,865
0036	Cocurricular/Extracurricular Activities	2,110,066	695,400	101,522	(1,313,144)	-	(1,313,144)
0041	General Administration	1,533,542	392	150,961	(1,382,189)	-	(1,382,189)
0051	Plant Maintenance and Operations	5,594,668	124,397	179,450	(5,290,821)	-	(5,290,821)
0052	Security and Monitoring Services	187,678	557	15	(187,106)	-	(187,106)
0053	Data Processing Services	956,908	-	35,656	(921,252)	-	(921,252)
0061	Community Services	5,241	618	595	(4,028)	-	(4,028)
0072	Interest on Long-term Debt	6,256,160	-	-	(6,256,160)	-	(6,256,160)
0073	Issuance Costs and Fees	17,295	-	-	(17,295)	-	(17,295)
0081	Facilities Repair and Maintenance	13,064	-	-	(13,064)	-	(13,064)
0099	Other Intergovernmental Charges	364,662	-	-	(364,662)	-	(364,662)
TG	Total Governmental Activities	<u>48,975,096</u>	<u>3,451,956</u>	<u>3,631,416</u>	<u>(41,891,724)</u>	<u>-</u>	<u>(41,891,724)</u>
Business-type Activities:							
0001	Day Care	278,108	288,914	15,806	-	26,612	26,612
0002	Community Education	1,159,301	1,226,452	44,028	-	111,179	111,179
0003	School Store	38,483	29,878	-	-	(8,605)	(8,605)
TB	Total Business-type Activities	<u>1,475,892</u>	<u>1,545,244</u>	<u>59,834</u>	<u>-</u>	<u>129,186</u>	<u>129,186</u>
TP	Total Primary Government	<u>\$ 50,450,988</u>	<u>\$ 4,997,200</u>	<u>\$ 3,691,250</u>	<u>(41,891,724)</u>	<u>129,186</u>	<u>(41,762,538)</u>
General Revenues:							
MT	Property Taxes, Levied for General Purposes				29,045,621	-	29,045,621
DT	Property Taxes, Levied for Debt Services				12,564,192	-	12,564,192
IE	Investment Earnings				25,390	-	25,390
GC	Grants and Contributions Not Restricted to Specific Programs				4,479,647	-	4,479,647
GS	Gain (Loss) on Sale of Capital Asset				3,739	-	3,739
MI	Miscellaneous				74,430	-	74,430
FR	Transfers				(35,485)	35,485	-
TR	Total General Revenues and Transfers				<u>46,157,534</u>	<u>35,485</u>	<u>46,193,019</u>
CN	Change in Net Position				<u>4,265,810</u>	<u>164,671</u>	<u>4,430,481</u>
NB	Net Position - Beginning				51,044,130	629,658	51,673,788
PA	Prior Period Adjustment - Implement GASB 65				(1,261,371)	-	(1,261,371)
	Net Position - Beginning, as restated				<u>49,782,759</u>	<u>629,658</u>	<u>50,412,417</u>
NE	Net Position - Ending				<u>\$ 54,048,569</u>	<u>\$ 794,329</u>	<u>\$ 54,842,898</u>

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2014

Data Control Codes	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
1110 <i>Cash and Cash Equivalents</i>	\$ 3,866,925	\$ 2,571
1120 <i>Current Investments</i>	21,044,795	11,178,281
1225 <i>Property Taxes Receivables (Net)</i>	846,410	362,779
1240 <i>Due from Other Governments</i>	845,238	-
1260 <i>Due from Other Funds</i>	1,865	-
1290 <i>Other Receivables (Net)</i>	5,482	-
1300 <i>Inventories</i>	262,986	-
1410 <i>Prepaid Items</i>	41,352	-
1000 Total Assets	<u>\$ 26,915,053</u>	<u>\$ 11,543,631</u>
LIABILITIES		
2110 <i>Accounts Payable</i>	\$ 329,124	\$ -
2150 <i>Payroll Deductions and Withholdings</i>	60,726	-
2160 <i>Accrued Wages Payable</i>	3,007,546	-
2170 <i>Due to Other Funds</i>	1,235,198	-
2180 <i>Due to Other Governments</i>	946	-
2300 <i>Unearned Revenue</i>	7,249	-
2000 Total Liabilities	<u>4,640,789</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue-Property Taxes	<u>846,410</u>	<u>362,779</u>
Total Deferred Inflows of Resources	<u>846,410</u>	<u>362,779</u>
FUND BALANCES		
Non-Spendable:		
3410 <i>Inventories</i>	262,986	-
3430 <i>Prepaid Items</i>	41,352	-
Restricted For:		
3450 <i>Grants</i>	-	-
3470 <i>Capital Acquisitions and Contractual Obligations</i>	-	-
3480 <i>Debt Service</i>	-	11,180,852
Committed To:		
3510 <i>Construction</i>	610,000	-
3530 <i>Capital Expenditures for Equipment</i>	4,150,558	-
3545 <i>Other</i>	300,000	-
3600 <i>Unassigned</i>	<u>16,062,958</u>	<u>-</u>
3000 Total Fund Balances	<u>21,427,854</u>	<u>11,180,852</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,915,053</u>	<u>\$ 11,543,631</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

Capital Projects Fund	Nonmajor Other Governmental	Total Governmental Funds
\$ 106,884	\$ 338,275	\$ 4,314,655
296,805	957,250	33,477,131
-	-	1,209,189
-	494,986	1,340,224
47,070	492,453	541,388
-	348	5,830
-	31,845	294,831
-	5,298	46,650
<u>\$ 450,759</u>	<u>\$ 2,320,455</u>	<u>\$ 41,229,898</u>
\$ -	\$ 24,027	\$ 353,151
-	3,594	64,320
-	179,984	3,187,530
-	404,818	1,640,016
-	2,685	3,631
-	105,961	113,210
<u>-</u>	<u>721,069</u>	<u>5,361,858</u>
<u>-</u>	<u>-</u>	<u>1,209,189</u>
<u>-</u>	<u>-</u>	<u>1,209,189</u>
-	17,292	280,278
-	5,298	46,650
-	1,152,101	1,152,101
450,759	-	450,759
-	-	11,180,852
-	-	610,000
-	-	4,150,558
-	424,695	724,695
-	-	16,062,958
<u>450,759</u>	<u>1,599,386</u>	<u>34,658,851</u>
<u>\$ 450,759</u>	<u>\$ 2,320,455</u>	<u>\$ 41,229,898</u>

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DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014*

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) **\$ 34,658,851**

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

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

Governmental Capital Assets Costs	\$ 182,324,628	
Accumulated Depreciation of Governmental Capital Assets	<u>(38,410,412)</u>	143,914,216

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		1,209,189
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to bonds payable consist of:

Bonds Payable, at Original Par	\$ (121,469,999)	
Premiums on Bonds Payable	(2,968,032)	
Discounts on Bonds Payable	256,441	
Deferred Charge on Refunding Adjustment	1,423,293	
Accreted Interest on Capital Appreciation Bonds	(920,407)	
Accrued Interest on Bonds	<u>(2,054,983)</u>	<u>(125,733,687)</u>

Total Net Position - Governmental Activities (Exhibit A-1) **\$ 54,048,569**

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
5700 <i>Local and Intermediate Sources</i>	\$ 29,775,318	\$ 12,489,048
5800 <i>State Program Revenues</i>	6,053,717	-
5900 <i>Federal Program Revenues</i>	133,587	-
5020 Total Revenues	<u>35,962,622</u>	<u>12,489,048</u>
EXPENDITURES		
Current:		
0011 <i>Instruction</i>	19,292,436	-
0012 <i>Instructional Resources and Media Services</i>	412,305	-
0013 <i>Curriculum and Instructional Staff Development</i>	477,983	-
0021 <i>Instructional Leadership</i>	360,615	-
0023 <i>School Leadership</i>	1,899,472	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	720,697	-
0033 <i>Health Services</i>	282,064	-
0034 <i>Student Transportation</i>	1,774,695	-
0035 <i>Food Service</i>	-	-
0036 <i>Cocurricular/Extracurricular Activities</i>	1,524,290	-
0041 <i>General Administration</i>	1,378,568	-
0051 <i>Plant Maintenance and Operations</i>	5,059,232	-
0052 <i>Security and Monitoring Services</i>	176,181	-
0053 <i>Data Processing Services</i>	840,215	-
0061 <i>Community Services</i>	3,678	-
Debt Service:		
0071 <i>Principal on Long-term Debt</i>	-	4,190,000
0072 <i>Interest on Long-term Debt</i>	-	5,503,196
0073 <i>Issuance Costs and Fees</i>	-	17,295
Capital Outlay:		
0081 <i>Facilities Acquisition and Construction</i>	598,501	-
Intergovernmental:		
0099 <i>Other Intergovernmental Charges</i>	364,662	-
6030 Total Expenditures	<u>35,165,594</u>	<u>9,710,491</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>797,028</u>	<u>2,778,557</u>
OTHER FINANCING SOURCES (USES)		
7912 <i>Sale of Real and Personal Property</i>	3,739	-
7915 <i>Transfers In</i>	41,615	-
8911 <i>Transfers Out</i>	(77,100)	-
8912 <i>Special Items</i>	(2,116)	-
7080 Total Other Financing Sources (Uses)	<u>(33,862)</u>	<u>-</u>
1200 Net Change in Fund Balances	763,166	2,778,557
0100 Fund Balances - Beginning	20,664,688	8,402,295
3000 Fund Balances - Ending	<u>\$ 21,427,854</u>	<u>\$ 11,180,852</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

Capital Projects Fund	Nonmajor Other Governmental	Total Governmental Funds
\$ 368	\$ 2,836,269	\$ 45,101,003
-	163,509	6,217,226
-	1,546,290	1,679,877
<u>368</u>	<u>4,546,068</u>	<u>52,998,106</u>
84,908	1,304,517	20,681,861
-	111,971	524,276
-	77,869	555,852
-	8,623	369,238
-	24,820	1,924,292
-	321,978	1,042,675
-	30	282,094
-	514	1,775,209
-	2,123,920	2,123,920
-	388,499	1,912,789
-	393	1,378,961
-	13,437	5,072,669
-	559	176,740
41,519	-	881,734
-	1,035	4,713
-	-	4,190,000
-	-	5,503,196
-	-	17,295
193,491	-	791,992
-	-	364,662
<u>319,918</u>	<u>4,378,165</u>	<u>49,574,168</u>
<u>(319,550)</u>	<u>167,903</u>	<u>3,423,938</u>
-	-	3,739
-	-	41,615
-	-	(77,100)
-	-	(2,116)
<u>-</u>	<u>-</u>	<u>(33,862)</u>
(319,550)	167,903	3,390,076
770,309	1,431,483	31,268,775
\$ <u>450,759</u>	\$ <u>1,599,386</u>	\$ <u>34,658,851</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-3***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014*

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)	\$ 3,390,076
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Assets increased	\$ 1,485,279	
Depreciation Expense	<u>(4,323,243)</u>	(2,837,964)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is a increase to net position.	12,343
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Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.	264,319
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	4,190,000
--	-----------

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

Accrued Interest on Bonds Payable increased	\$ (25,784)	
Interest Accreted on the Capital Appreciation Bonds increased	(834,477)	
Amortization of Bond Premium	291,533	
Amortization of Bond Discount	(16,028)	
Amortization of Deferred Charge on Refunding	<u>(168,208)</u>	<u>(752,964)</u>

Change in Net Position - Governmental Activities (Exhibit B-1)	\$ <u>4,265,810</u>
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The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

*GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014*

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final Amended	Actual		
REVENUES					
5700	Local and Intermediate Sources	\$ 28,799,354	\$ 29,552,424	\$ 29,775,318	\$ 222,894
5800	State Program Revenues	5,758,670	5,883,670	6,053,717	170,047
5900	Federal Program Revenues	-	78,000	133,587	55,587
5020	Total Revenues	<u>34,558,024</u>	<u>35,514,094</u>	<u>35,962,622</u>	<u>448,528</u>
EXPENDITURES					
Current:					
0011	Instruction	18,810,433	19,581,635	19,292,436	289,199
0012	Instructional Resources and Media Services	484,559	426,171	412,305	13,866
0013	Curriculum and Instructional Staff Development	345,049	510,315	477,983	32,332
0021	Instructional Leadership	363,638	378,466	360,615	17,851
0023	School Leadership	1,883,904	1,904,487	1,899,472	5,015
0031	Guidance, Counseling, and Evaluation Services	884,798	746,061	720,697	25,364
0033	Health Services	290,495	302,438	282,064	20,374
0034	Student Transportation	1,782,885	1,918,389	1,774,695	143,694
0036	Cocurricular/Extracurricular Activities	1,072,342	1,602,307	1,524,290	78,017
0041	General Administration	1,342,117	1,412,964	1,378,568	34,396
0051	Plant Maintenance and Operations	5,243,709	5,402,445	5,059,232	343,213
0052	Security and Monitoring Services	91,460	195,540	176,181	19,359
0053	Data Processing Services	752,635	844,823	840,215	4,608
0061	Community Services	-	5,343	3,678	1,665
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	598,502	598,501	1
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	750,000	-	-	-
0099	Other Intergovernmental Charges	400,000	400,000	364,662	35,338
6030	Total Expenditures	<u>34,498,024</u>	<u>36,229,886</u>	<u>35,165,594</u>	<u>1,064,292</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>60,000</u>	<u>(715,792)</u>	<u>797,028</u>	<u>1,512,820</u>
OTHER FINANCING SOURCES (USES)					
7912	Sale of Real and Personal Property	-	-	3,739	3,739
7915	Transfers In	-	37,000	41,615	4,615
8911	Transfers Out	(60,000)	(79,000)	(77,100)	1,900
8912	Special Items	-	-	(2,116)	(2,116)
7080	Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(42,000)</u>	<u>(33,862)</u>	<u>8,138</u>
1200	Net Change in Fund Balances	-	(757,792)	763,166	1,520,958
0100	Fund Balances - Beginning	<u>20,664,688</u>	<u>20,664,688</u>	<u>20,664,688</u>	<u>-</u>
3000	Fund Balances - Ending	<u>\$ 20,664,688</u>	<u>\$ 19,906,896</u>	<u>\$ 21,427,854</u>	<u>\$ 1,520,958</u>

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-1

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2014

Data Control Codes		Nonmajor Enterprise Funds
ASSETS		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 500
1260	Due from Other Funds	1,109,886
1300	Inventories	28,165
1410	Prepaid Items	150
	Total Current Assets	<u>1,138,701</u>
1000	Total Assets	<u>1,138,701</u>
LIABILITIES		
Current Liabilities:		
2110	Accounts Payable	24,830
2150	Payroll Deductions and Withholdings	2,579
2160	Accrued Wages Payable	135,276
2170	Due to Other Funds	10,747
2300	Unearned Revenue	170,940
	Total Current Liabilities	<u>344,372</u>
2000	Total Liabilities	<u>344,372</u>
NET POSITION		
3900	Unrestricted	794,329
3000	Total Net Position	<u>\$ 794,329</u>

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-2

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014*

<u>Data Control Codes</u>		<u>Nonmajor Enterprise Funds</u>
OPERATING REVENUES		
5700	<i>Local and Intermediate Sources</i>	\$ 1,545,244
5800	<i>State Program Revenues</i>	59,834
5020	Total Operating Revenues	<u>1,605,078</u>
OPERATING EXPENSES		
6100	<i>Payroll Costs</i>	1,080,465
6200	<i>Professional and Contracted Services</i>	264,514
6300	<i>Supplies and Materials</i>	112,304
6400	<i>Other Operating Costs</i>	18,609
6030	Total Operating Expenses	<u>1,475,892</u>
1100	Operating Income (Loss)	129,186
7915	<i>Transfers In</i>	77,100
8911	<i>Transfers Out</i>	<u>(41,615)</u>
1200	Change in Net Position	164,671
0100	Total Net Position - Beginning	<u>629,658</u>
3000	Total Net Position - Ending	<u>\$ 794,329</u>

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-3

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services Provided	\$ 1,421,993
Cash Payments for Goods and Services	(129,508)
Cash Payments for Employees	(1,327,970)
Net Cash Provided (Used) by Operating Activities	<u>(35,485)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from Other Funds	77,100
Transfers to Other Funds	(41,615)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>35,485</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning	500
Cash and Cash Equivalents - End	<u>\$ 500</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income	\$ 129,186
Change in Assets and Liabilities:	
Decrease in Receivables	24,004
Increase in Due from Other Funds	(252,410)
Increase in Inventory	(2,527)
Increase in Prepaid Items	(150)
Increase in Accounts Payable	4,082
Decrease in Payroll Deductions and Withholdings	(970)
Increase in Accrued Wages Payable	17,979
Increase in Due to Other Funds	10,747
Increase in Unearned Revenue	34,574
Net Cash Provided (Used) by Operating Activities	<u>\$ (35,485)</u>

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2014

Data Control Codes	810	865
<u>ASSETS</u>	<u>Scholarship Fund</u>	<u>Agency Funds</u>
1110 <i>Cash and Cash Equivalents</i>	\$ 3,000	\$ 27,698
1120 <i>Current Investments</i>	55,561	8,235
1000 Total Assets	<u>58,561</u>	<u>\$ 35,933</u>
<u>LIABILITIES</u>		
2170 <i>Due to Other Funds</i>	-	\$ 511
2190 <i>Due to Student Groups</i>	-	35,422
2000 Total Liabilities	<u>-</u>	<u>\$ 35,933</u>
<u>NET POSITION</u>		
3800 <i>Held in Trust for Private Purposes</i>	58,561	
3000 Total Net Position	<u>\$ 58,561</u>	

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

FOR THE YEAR ENDED JUNE 30, 2014

810

Data
Control
CodesScholarship
Fund**ADDITIONS**5700 *Local and Intermediate Sources*

\$ 22

Total Additions

22**DEDUCTIONS**6499 *Scholarships*3,500

Total Deductions

3,500

Change in Net Position

(3,478)

Net Position - Beginning of Year

62,039

Net Position - End of Year

\$ 58,561

The accompanying notes are an integral part of this statement.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

I. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

The Dripping Springs Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

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

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

Additionally, the District reports the following fund types:

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

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

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

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Accounting Changes

Change in Accounting Principles – As the result of implementing GASB Statement Nos. 63 and 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013 by \$1,261,371. The decrease results from no longer deferring and amortizing bond issuance costs. Further, the District has restated its long-term liabilities to reflect that a component of those liabilities as of June 30, 2013 – deferred charge on refunding – is now reported as a

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

deferred outflow of resources on the government-wide Statement of Net Position. The effect of this change, as of June 30, 2013, is an increase of \$1,591,501 in long-term liabilities and a corresponding increase in deferred outflows of resources.

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

1. Cash and Cash Equivalents

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

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and Improvements	15-50
Furniture and Equipment	3-15

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue - property taxes*, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Net Position Flow Assumption

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

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to July 1 of each year, the District adopts its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Compensated Absences

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are tuition and sales of services provided. Operating expenses for the enterprise funds include payroll cost, professional and contracted services, and other operating costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

5. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Data Control Codes

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

B. Budgetary Information

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

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

C. Encumbrances

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

D. Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations per the functions (the legal level of budgetary control) in the following funds:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
None		\$ -	\$ -	\$ -

III. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits. The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities 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.

Investments. The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF. 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

As of June 30, 2014, the District had the following governmental and proprietary fund investments:

<u>Investment Type</u>	<u>Standard & Poor's Rating</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity (Years)</u>
Texpool - LGIP	AAAm	\$ 26,037,254	78%	0.23
TexasDAILY	AAAm	7,439,877	22%	0.13
Total Fair Value		\$ 33,477,131	100%	
Portfolio Weighted Average Maturity				0.21

Credit risk. For fiscal year 2014, the District invested in Texpool and Texas Daily. Texpool is duly chartered and administered by the State Comptroller's Office. TexasDAILY is a public funds investment pool established by the TexasTERM Local Government Investment Pool ("TexasTERM") Advisory board pursuant to provisions of the TexasTERM Common Investment Contract that established the TexasTERM Local Government Investment Pool and the series know as TexasDAILY. TexasDAILY was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The credit ratings for such investments are noted in the preceding table.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment shall not exceed three years from the time of purchase, unless specifically authorized by the Board of Trustees.

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2014, District's bank balances of \$4,875,479 were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agent in the District's name.

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

B. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 1,017,286	\$ 419,401	\$ -	\$ 1,436,687
Due From Other Governments:				
State	845,238	-	494,986	1,340,224
Federal	-	-	-	-
Accrued Interest	-	-	-	-
Other Receivables	5,482	-	348	5,830
Gross Receivables	<u>1,868,006</u>	<u>419,401</u>	<u>495,334</u>	<u>2,782,741</u>
Less: Allowance for Uncollectibles	(170,876)	(56,622)	-	(227,498)
<i>Net Total Receivables</i>	<u>\$ 1,697,130</u>	<u>\$ 362,779</u>	<u>\$ 495,334</u>	<u>\$ 2,555,243</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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

Uncollectibles Related to General Fund Property Taxes	\$ (13,907)
Uncollectibles Related to Debt Service Property Taxes	(5,958)
	<u>\$ (19,865)</u>

Approximately 38% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Interfund Receivables and Payables

Receivables/Payables

The composition of interfund balances as of June 30, 2014, is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 1,865	\$ 1,235,198
Debt Service Fund	-	-
Capital Projects Fund	47,070	-
Nonmajor Governmental Funds	492,453	404,818
Total Governmental Funds	<u>541,388</u>	<u>1,640,016</u>
Proprietary Funds:		
Nonmajor Enterprise Funds	1,109,886	10,747
Total Proprietary Funds	<u>1,109,886</u>	<u>10,747</u>
Fiduciary Funds:		
Agency Funds	-	511
Total Fiduciary Funds	<u>-</u>	<u>511</u>
<i>Total - All Funds</i>	<u>\$ 1,651,274</u>	<u>\$ 1,651,274</u>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s transfers for the year ended June 30, 2014.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 41,615	\$ 77,100
Enterprise Fund	77,100	41,615
	<u>\$ 118,715</u>	<u>\$ 118,715</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Transfers, Adjustments and Dispositions	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 7,101,004	\$ 91,060	\$ 167,232	\$ 7,359,296
Construction in Progress	275,329	494,376	(769,705)	-
<i>Total Capital Assets, not being Depreciated</i>	<u>7,376,333</u>	<u>585,436</u>	<u>(602,473)</u>	<u>7,359,296</u>
Capital Assets, being Depreciated:				
Buildings and Improvements	162,857,066	232,397	602,473	163,691,936
Furniture and Equipment	12,175,019	667,446	(1,569,069)	11,273,396
<i>Total Capital Assets, being Depreciated</i>	<u>175,032,085</u>	<u>899,843</u>	<u>(966,596)</u>	<u>174,965,332</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(26,981,636)	(3,621,898)	16,361	(30,587,173)
Furniture and Equipment	(8,686,945)	(701,345)	1,565,051	(7,823,239)
<i>Total Accumulated Depreciation</i>	<u>(35,668,581)</u>	<u>(4,323,243)</u>	<u>1,581,412</u>	<u>(38,410,412)</u>
Total Capital Assets, being Depreciated, net	<u>139,363,504</u>	<u>(3,423,400)</u>	<u>614,816</u>	<u>136,554,920</u>
Governmental Activities Capital Assets, net	<u>\$ 146,739,837</u>	<u>\$ (2,837,964)</u>	<u>\$ 12,343</u>	<u>\$ 143,914,216</u>

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

Governmental Activities:	
11 Instruction	\$ 2,308,914
12 Instructional Resources and Media Services	58,771
13 Curriculum and Instructional Staff Development	62,311
21 Instructional Leadership	41,391
23 School Leadership	215,712
31 Guidance, Counseling, and Evaluation Services	116,883
33 Health Services	31,623
34 Student Transportation	199,000
35 Food Service	236,460
36 Cocurricular/Extracurricular Activities	214,423
41 General Administration	154,581
51 Plant Maintenance and Operations	568,645
52 Security and Monitoring Services	19,813
53 Data Processing Services	94,188
61 Community Services	528
Total Depreciation Expense	<u>\$ 4,323,243</u>

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. In prior years, the general fund has been used to liquidate any other long-term liability not accounted for in the debt service fund or an internal service fund.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 125,659,999	\$ -	\$ (4,190,000)	\$ 121,469,999	\$ 4,915,000
Accreted Interest on Capital Appreciation Bonds	85,930	834,477	-	920,407	-
Less Deferred Amounts:					
For Issuance Premiums	3,259,565	-	(291,533)	2,968,032	-
For Issuance Discounts	(272,469)	-	16,028	(256,441)	-
<i>Total Bonds Payable, net</i>	<u>128,733,025</u>	<u>834,477</u>	<u>(4,465,505)</u>	<u>125,101,997</u>	<u>4,915,000</u>
<i>Total Long-term Liabilities</i>	<u>\$ 128,733,025</u>	<u>\$ 834,477</u>	<u>\$ (4,465,505)</u>	<u>\$ 125,101,997</u>	<u>\$ 4,915,000</u>

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 11-22 year current interest or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable.

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

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2003 REF	3.00-4.25%	\$ 8,699,997	2017	\$ 810,000	\$ -	\$ (810,000)	\$ -
2005 BLDG	3.00-5.00%	28,520,000	2026	1,830,000	-	(895,000)	935,000
2007 REF	4.00-4.50%	4,735,000	2023	4,590,000	-	-	4,590,000
2007 REF CAB	-	29,999	2022	29,999	-	-	29,999
2008 BLDG	3.00-5.25%	96,170,000	2030	85,320,000	-	(2,120,000)	83,200,000
2010 REF	2.00-4.00%	10,380,000	2021	8,915,000	-	-	8,915,000
2012A REF	2.00-3.00%	8,785,000	2026	8,645,000	-	(85,000)	8,560,000
2012A REF CAB	-	20,000	2019	20,000	-	-	20,000
2013 REF	1.125-5.00%	15,500,000	2030	15,500,000	-	(280,000)	15,220,000
<i>Totals</i>				<u>\$ 125,659,999</u>	<u>\$ -</u>	<u>\$ (4,190,000)</u>	<u>\$ 121,469,999</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

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

Year Ending June 30	Principal Value At Maturity	Interest	Total Requirements
2015	\$ 4,915,000	\$ 5,471,144	\$ 10,386,144
2016	4,680,000	5,318,631	9,998,631
2017	4,835,000	5,171,319	10,006,319
2018	5,035,000	4,993,169	10,028,169
2019	5,210,000	4,787,844	9,997,844
2020	4,830,000	5,351,706	10,181,706
2021	6,055,000	4,337,381	10,392,381
2022	7,609,999	4,402,170	12,012,169
2023	6,460,000	3,795,000	10,255,000
2024	6,170,000	3,504,950	9,674,950
2025	6,435,000	3,225,275	9,660,275
2026	6,735,000	2,932,550	9,667,550
2027	7,050,000	2,625,725	9,675,725
2028	7,155,000	2,293,706	9,448,706
2029	7,510,000	1,948,850	9,458,850
2030	7,885,000	1,571,325	9,456,325
2031	8,305,000	1,159,213	9,464,213
2032	7,105,000	766,238	7,871,238
2033	7,490,000	393,225	7,883,225
<i>Totals</i>	<u>\$ 121,469,999</u>	<u>\$ 64,049,421</u>	<u>\$ 185,519,420</u>

As of June 30, 2014, the District had authorized but unissued bonds in the amount of \$92,410,000.

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the Districts basic financial statements. As of June 30, 2014, the outstanding defeased bonds are noted below:

2005 General Obligation Bonds (maturing 2014-2026, callable August 15, 2014)	\$ 23,025,000
<i>Totals</i>	<u>\$ 23,025,000</u>

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General Fund	
Instructional Materials	\$ 300,000
<i>Total Committed for Other Purposes</i>	<u>\$ 300,000</u>
Other Governmental Funds	
Campus Activities	\$ 420,462
Local Special Revenue Funds	4,233
<i>Total Committed for Other Purposes</i>	<u>\$ 424,695</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Property Taxes	\$ 28,682,686	\$ 12,406,977	\$ -	\$ -	\$ 41,089,663
Penalties, Interest, and Other Tax- Related Income	178,899	76,932	-	-	255,831
Charges for Services	653,166	-	-	2,710,654	3,363,820
Contributions	88,345	-	-	125,615	213,960
Insurance Recoveries	89,394	-	-	-	89,394
Investment Earnings	20,897	2,867	368	-	24,132
Other	61,931	2,272	-	-	64,203
<i>Totals</i>	<u>\$ 29,775,318</u>	<u>\$ 12,489,048</u>	<u>\$ 368</u>	<u>\$ 2,836,269</u>	<u>\$ 45,101,003</u>

IV. Other Information

A. Risk Management

Workers' Compensation and Property/Liability Losses

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

Health Care Coverage

During the year ended June 30, 2014, the District contributed a premium of \$225 per month per employee towards the cost of health care for those who elected to participate in the TRS health care plan.

B. Litigation and Contingencies

The District is a defendant in a legal claim arising principally in the normal course of operations. In the opinion of the District's management, such claim will not have a material effect of the District's financial position, results of operations or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2014, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Pension Plan for Employees Participating in Teacher Retirement System

Plan Description. The Dripping Springs Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

the report from the TRS Internet website, 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 TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contributions. Contribution rates and contributions for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member		State		School District Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$ 1,662,188	6.8%	\$ 1,409,579	\$ 263,902
2013	6.4%	\$ 1,533,125	6.4%	\$ 1,152,176	\$ 274,493
2012	6.4%	\$ 1,578,347	6.0%	\$ 1,171,964	\$ 279,152

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

D. School District Retiree Health Plan

Plan Description. The Dripping Springs Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS 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.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014-2012.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Contribution Rates and Contribution Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 168,816	1.00%	\$ 232,745	0.55%	\$ 142,844
2013	0.65%	\$ 155,710	0.50%	\$ 111,459	0.55%	\$ 131,752
2012	0.65%	\$ 160,303	1.00%	\$ 195,327	0.55%	\$ 135,638

In addition, the State of Texas contributed \$72,706, \$92,953, and \$55,680 in 2014, 2013, and 2012, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program. For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

E. Nonmonetary Transactions

During 2014, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$80,485. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$80,485 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

F. Subsequent Events

In July 2014, the District approved to issue Unlimited Tax School Building and Refunding Bonds, Series 2014 in the aggregate principal amount not to exceed \$163,475,000. The bonds were sold in August 2014.

COMBINING FUNDS FINANCIAL STATEMENTS

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2014

Data Control Codes	211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B Preschool
ASSETS			
1110	\$ -	\$ -	\$ -
1120	-	-	-
1240	126,674	304,939	1,989
1260	-	-	-
1290	-	-	-
1300	-	-	-
1410	-	-	-
1000	<u>\$ 126,674</u>	<u>\$ 304,939</u>	<u>\$ 1,989</u>
LIABILITIES			
2110	\$ 295	\$ 1,932	\$ -
2150	240	1,591	12
2160	11,991	79,552	648
2170	114,148	221,864	1,329
2180	-	-	-
2300	-	-	-
2000	<u>126,674</u>	<u>304,939</u>	<u>1,989</u>
FUND BALANCES			
Non-Spendable:			
3410	-	-	-
3430	-	-	-
Restricted For:			
3450	-	-	-
Committed To:			
3545	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 126,674</u>	<u>\$ 304,939</u>	<u>\$ 1,989</u>

240	244	255	263	289	392
National School Breakfast & Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A,: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement	Title VI, Part A, Summer School LEP	Noneducational Community - Based Support
\$ 338,275	\$ -	\$ -	\$ -	\$ -	\$ -
957,250	-	-	-	-	-
-	29,136	17,958	14,290	-	-
6,544	-	-	-	-	-
348	-	-	-	-	-
31,845	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,334,262</u>	<u>\$ 29,136</u>	<u>\$ 17,958</u>	<u>\$ 14,290</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,275	\$ -	\$ 110	\$ 775	\$ -	\$ -
1,741	-	10	-	-	-
87,313	-	480	-	-	-
3,453	29,136	17,358	13,515	-	-
-	-	-	-	-	-
78,515	-	-	-	-	-
<u>176,297</u>	<u>29,136</u>	<u>17,958</u>	<u>14,290</u>	<u>-</u>	<u>-</u>
17,292	-	-	-	-	-
-	-	-	-	-	-
1,140,673	-	-	-	-	-
-	-	-	-	-	-
<u>1,157,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,334,262</u>	<u>\$ 29,136</u>	<u>\$ 17,958</u>	<u>\$ 14,290</u>	<u>\$ -</u>	<u>\$ -</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2014

Data Control Codes	397	404	410
	Advanced Placement Incentives	Student Success Initiative	State Textbook Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1120 Current Investments	-	-	-
1240 Due from Other Governments	-	-	-
1260 Due from Other Funds	11,709	-	-
1290 Other Receivables (Net)	-	-	-
1300 Inventories	-	-	-
1301 Prepaid Items	-	-	-
1000 Total Assets	<u>11,709</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
2110 Accounts Payable	\$ 281	\$ -	\$ -
2111 Payroll Deductions and Withholdings	-	-	-
2160 Accrued Wages Payable	-	-	-
2170 Due to Other Funds	-	-	-
2180 Due to Other Governments	-	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>281</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Non-Spendable:			
3410 Inventories	-	-	-
3430 Prepaid Items	-	-	-
Restricted For:			
3450 Grants	11,428	-	-
Committed To:			
3545 Other	-	-	-
3000 Total Fund Balances	<u>11,428</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 11,709</u>	<u>\$ -</u>	<u>\$ -</u>

429	461	481	483	499	
CTE Certification Exam Reimbursement	Campus Activity Fund	San Marcos Civic Foundation	Dripping Springs Education Foundation Grant	Locally Funded Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,275
-	-	-	-	-	957,250
-	-	-	-	-	494,986
2,377	429,290	-	37,212	5,321	492,453
-	-	-	-	-	348
-	-	-	-	-	31,845
-	5,298	-	-	-	5,298
<u>\$ 2,377</u>	<u>\$ 434,588</u>	<u>\$ -</u>	<u>\$ 37,212</u>	<u>\$ 5,321</u>	<u>\$ 2,320,455</u>
\$ -	\$ 4,505	\$ -	\$ 10,854	\$ -	\$ 24,027
-	-	-	-	-	3,594
-	-	-	-	-	179,984
-	4,015	-	-	-	404,818
2,377	308	-	-	-	2,685
-	-	-	26,358	1,088	105,961
<u>2,377</u>	<u>8,828</u>	<u>-</u>	<u>37,212</u>	<u>1,088</u>	<u>721,069</u>
-	-	-	-	-	17,292
-	5,298	-	-	-	5,298
-	-	-	-	-	1,152,101
-	420,462	-	-	4,233	424,695
-	425,760	-	-	4,233	1,599,386
<u>\$ 2,377</u>	<u>\$ 434,588</u>	<u>\$ -</u>	<u>\$ 37,212</u>	<u>\$ 5,321</u>	<u>\$ 2,320,455</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B Preschool
REVENUES			
5700	\$ -	\$ -	\$ -
5800	-	-	-
5900	277,438	793,556	4,819
5020	<u>277,438</u>	<u>793,556</u>	<u>4,819</u>
EXPENDITURES			
Current:			
0011	267,642	473,058	4,819
0012	2,998	-	-
0013	1,170	5,961	-
0021	5,628	-	-
0023	-	-	-
0031	-	314,337	-
0033	-	-	-
0034	-	-	-
0035	-	-	-
0036	-	-	-
0041	-	-	-
0051	-	-	-
0052	-	-	-
0061	-	200	-
6030	<u>277,438</u>	<u>793,556</u>	<u>4,819</u>
1200	-	-	-
0100	-	-	-
3000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240	244	255	263	289	392
National School Breakfast & Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A: Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement	Title VI, Part A, Summer School LEP	Noneducational Community - Based Support
\$ 1,910,625	\$ -	\$ -	\$ -	\$ -	\$ -
6,916	-	-	-	-	215
369,459	29,136	51,676	17,980	2,226	-
<u>2,287,000</u>	<u>29,136</u>	<u>51,676</u>	<u>17,980</u>	<u>2,226</u>	<u>215</u>
-	26,309	492	16,256	2,226	-
-	-	-	-	-	-
-	1,026	49,868	1,210	-	-
-	1,165	1,316	514	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,123,920	-	-	-	-	-
-	636	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	215
<u>2,123,920</u>	<u>29,136</u>	<u>51,676</u>	<u>17,980</u>	<u>2,226</u>	<u>215</u>
163,080	-	-	-	-	-
994,885	-	-	-	-	-
<u>\$ 1,157,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

429	461	481	483	499	
CTE Certification Exam Reimbursement	Campus Activity Fund	San Marcos Civic Foundation	Dripping Springs Education Foundation Grant	Locally Funded Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 810,341	\$ 6,849	\$ 96,402	\$ 12,052	\$ 2,836,269
-	258	-	-	-	163,509
-	-	-	-	-	1,546,290
-	<u>810,599</u>	<u>6,849</u>	<u>96,402</u>	<u>12,052</u>	<u>4,546,068</u>
-	283,446	-	63,331	10,818	1,304,517
-	78,740	-	30,233	-	111,971
-	6,223	6,849	2,400	-	77,869
-	-	-	-	-	8,623
-	24,820	-	-	-	24,820
-	7,641	-	-	-	321,978
-	30	-	-	-	30
-	-	-	-	514	514
-	-	-	-	-	2,123,920
-	387,425	-	438	-	388,499
-	393	-	-	-	393
-	12,717	-	-	720	13,437
-	559	-	-	-	559
-	620	-	-	-	1,035
-	<u>802,614</u>	<u>6,849</u>	<u>96,402</u>	<u>12,052</u>	<u>4,378,165</u>
-	7,985	-	-	-	167,903
-	417,775	-	-	4,233	1,431,483
\$ -	\$ <u>425,760</u>	\$ -	\$ -	\$ <u>4,233</u>	\$ <u>1,599,386</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT I-1

COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 JUNE 30, 2014

Data Control Codes	711 <u>DSISD Day Care</u>	712 <u>DSISD Community Education Fund</u>	715 <u>DSISD Tiger Shack</u>	Total <u>Nonmajor Enterprise Funds</u>
ASSETS				
Current Assets:				
1110	\$ -	\$ 500	\$ -	\$ 500
1260	78,173	1,031,713	-	1,109,886
1300	-	-	28,165	28,165
1410	-	150	-	150
	<u>78,173</u>	<u>1,032,363</u>	<u>28,165</u>	<u>1,138,701</u>
1000	<u>78,173</u>	<u>1,032,363</u>	<u>28,165</u>	<u>1,138,701</u>
LIABILITIES				
Current Liabilities:				
2110	135	24,310	385	24,830
2150	652	1,927	-	2,579
2160	32,621	102,655	-	135,276
2170	-	-	10,747	10,747
2300	4,025	166,915	-	170,940
	<u>37,433</u>	<u>295,807</u>	<u>11,132</u>	<u>344,372</u>
2000	<u>37,433</u>	<u>295,807</u>	<u>11,132</u>	<u>344,372</u>
NET POSITION				
3900	40,740	736,556	17,033	794,329
3000	<u>\$ 40,740</u>	<u>\$ 736,556</u>	<u>\$ 17,033</u>	<u>\$ 794,329</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT I-2

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	711 DSISD Day Care	712 DSISD Community Education Fund	715 DSISD Tiger Shack	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
5700 <i>Local and Intermediate Sources</i>	\$ 288,914	\$ 1,226,452	\$ 29,878	\$ 1,545,244
5800 <i>State Program Revenues</i>	15,806	44,028	-	59,834
5020 Total Operating Revenues	<u>304,720</u>	<u>1,270,480</u>	<u>29,878</u>	<u>1,605,078</u>
OPERATING EXPENSES				
6100 <i>Payroll Costs</i>	267,713	812,752	-	1,080,465
6200 <i>Professional and Contracted Services</i>	1,149	262,616	749	264,514
6300 <i>Supplies and Materials</i>	9,087	65,483	37,734	112,304
6400 <i>Other Operating Costs</i>	159	18,450	-	18,609
6030 Total Operating Expenses	<u>278,108</u>	<u>1,159,301</u>	<u>38,483</u>	<u>1,475,892</u>
1100 Operating Income (Loss)	26,612	111,179	(8,605)	129,186
7915 <i>Transfers In</i>	-	77,100	-	77,100
8911 <i>Transfers Out</i>	-	(41,615)	-	(41,615)
1200 Change in Net Position	26,612	146,664	(8,605)	164,671
0100 Net Position - Beginning	<u>14,128</u>	<u>589,892</u>	<u>25,638</u>	<u>629,658</u>
3000 Net Position - Ending	<u>\$ 40,740</u>	<u>\$ 736,556</u>	<u>\$ 17,033</u>	<u>\$ 794,329</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT I-3

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	711	712	715	Total
	DSISD Day Care	DSISD Community Education Fund	DSISD Tiger Shack	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Services Provided	\$ 276,340	\$ 1,105,028	\$ 40,625	\$ 1,421,993
Cash Payments for Goods and Services	(9,342)	(80,290)	(39,876)	(129,508)
Cash Payments for Employees	(266,998)	(1,060,223)	(749)	(1,327,970)
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>(35,485)</u>	<u>-</u>	<u>(35,485)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	-	77,100	-	77,100
Transfers to Other Funds	-	(41,615)	-	(41,615)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>35,485</u>	<u>-</u>	<u>35,485</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents - Beginning	-	500	-	500
Cash and Cash Equivalents - End	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income	\$ 26,612	\$ 111,179	\$ (8,605)	\$ 129,186
Change in Assets and Liabilities:				
Decrease in Receivables	18,743	5,261	-	24,004
Increase in Due from Other Funds	(48,598)	(203,812)	-	(252,410)
Increase in Inventory	-	-	(2,527)	(2,527)
Increase in Prepaid Items	-	(150)	-	(150)
Increase (Decrease) in Accounts Payable	(96)	3,793	385	4,082
Decrease in Payroll Deductions and Withholdings	(845)	(125)	-	(970)
Increase in Accrued Wages Payable	2,709	15,270	-	17,979
Increase in Due to Other Funds	-	-	10,747	10,747
Increase in Unearned Revenue	1,475	33,099	-	34,574
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ (35,485)</u>	<u>\$ -</u>	<u>\$ (35,485)</u>

SUPPLEMENTARY INFORMATION

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2014

Year Ended June 30	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2005 and Prior Years	\$ Various	\$ Various	\$ Various
2006	1.5000	0.3260	1,539,205,516
2007	1.3699	0.3102	1,747,299,219
2008	1.0400	0.3753	2,058,181,008
2009	1.0400	0.4500	2,365,445,495
2010	1.0400	0.4500	2,705,146,498
2011	1.0400	0.4500	2,689,502,236
2012	1.0400	0.4500	2,789,610,899
2013	1.0400	0.4500	2,636,405,369
2014 (School Year Under Audit)	1.0400	0.4500	2,758,148,523
1000 Totals			

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

EXHIBIT J-1

Beginning Balance 7/1/13	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 6/30/14
\$ 64,390	\$ -	\$ 78	\$ 14	\$ (490)	\$ 63,808
21,966	-	1,148	249	2	20,571
19,393	-	51	12	1	19,331
22,154	-	195	70	1	21,890
36,733	-	2,345	1,014	(204)	33,170
44,876	-	7,981	3,454	(471)	32,970
59,310	-	7,926	3,430	(470)	47,484
132,158	-	31,273	13,532	(25,486)	61,867
751,523	-	414,964	179,551	(20,501)	136,507
-	41,096,413	28,214,276	12,208,100	325,052	999,089
<u>\$ 1,152,503</u>	<u>\$ 41,096,413</u>	<u>\$ 28,680,237</u>	<u>\$ 12,409,426</u>	<u>\$ 277,434</u>	<u>\$ 1,436,687</u>
		\$ -	\$ -		

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014*

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final Amended	Actual		
REVENUES					
5700	<i>Local and Intermediate Sources</i>	\$ 1,727,000	\$ 1,848,500	\$ 1,910,625	\$ 62,125
5800	<i>State Program Revenues</i>	-	6,920	6,916	(4)
5900	<i>Federal Program Revenues</i>	389,740	389,740	369,459	(20,281)
5020	Total Revenues	<u>2,116,740</u>	<u>2,245,160</u>	<u>2,287,000</u>	<u>41,840</u>
EXPENDITURES					
Current:					
0035	<i>Food Service</i>	<u>2,116,740</u>	<u>2,199,659</u>	<u>2,123,920</u>	<u>75,739</u>
6030	Total Expenditures	<u>2,116,740</u>	<u>2,199,659</u>	<u>2,123,920</u>	<u>75,739</u>
1200	Net Change in Fund Balances	-	45,501	163,080	117,579
0100	Fund Balances - Beginning	<u>994,885</u>	<u>994,885</u>	<u>994,885</u>	-
3000	Fund Balances - Ending	<u>\$ 994,885</u>	<u>\$ 1,040,386</u>	<u>\$ 1,157,965</u>	<u>\$ 117,579</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

*SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014*

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final Amended	Actual	
REVENUES				
5700 <i>Local and Intermediate Sources</i>	\$ 12,230,201	\$ 12,386,701	\$ 12,489,048	\$ 102,347
5020 Total Revenues	<u>12,230,201</u>	<u>12,386,701</u>	<u>12,489,048</u>	<u>102,347</u>
EXPENDITURES				
Debt Service:				
0071 <i>Principal on Long-term Debt</i>	4,190,000	4,190,000	4,190,000	-
0072 <i>Interest on Long-term Debt</i>	5,503,196	5,503,196	5,503,196	-
0073 <i>Issuance Costs and Fees</i>	<u>217,051</u>	<u>217,051</u>	<u>17,295</u>	<u>199,756</u>
6030 Total Expenditures	<u>9,910,247</u>	<u>9,910,247</u>	<u>9,710,491</u>	<u>199,756</u>
1200 Net Change in Fund Balances	2,319,954	2,476,454	2,778,557	302,103
0100 Fund Balances - Beginning	<u>8,402,295</u>	<u>8,402,295</u>	<u>8,402,295</u>	-
3000 Fund Balances - Ending	<u>\$ 10,722,249</u>	<u>\$ 10,878,749</u>	<u>\$ 11,180,852</u>	<u>\$ 302,103</u>

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OVERALL COMPLIANCE, INTERNAL CONTROL SECTION AND FEDERAL AWARDS

HLSK

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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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2014.

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 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.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
October 20, 2014

HLSK

Hereford, Lynch, Sellars & Kirkham

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Dripping Springs Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, Dripping Springs Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
October 20, 2014

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DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014*

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
FEDERAL AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditors’ report issued on compliance with major programs	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133?	Finding 2014-001
7. Identification of Major Programs	Child Nutrition Cluster
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$300,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II –FINANCIAL STATEMENT FINDINGS	
None reported	

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014*

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-001 EXCESS CHILD NUTRITION FUND BALANCE

DEPARTMENT OF AGRICULTURE

CHILD NUTRITION CLUSTER:

CFDA No. 10.553 School Breakfast Program

CFDA No. 10.555 National School Lunch Program

Passed Through Texas Education Agency NOGA ID No. 71401401 and 71301401

Cash Management

Criteria:

Per CFR 210.19(a)(1), the fund balance of the National School Breakfast and Lunch Program Fund (Child Nutrition) cannot exceed three months of average expenditures.

Condition:

Fund balance in the National School Breakfast and Lunch Program Fund (Child Nutrition) of the District exceeded three months of average expenditures by \$578,269 per the regulation stated above.

Questioned Cost:

None

Perspective Information:

The District's fund balance increased significantly during the fiscal year 2013 and increased in fiscal year 2014. The District has not charged all expenses that can be allocated to the program.

Cause:

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

Effect:

The District is not in compliance with CFR 210.19(a)(1).

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions:

See corrective action plan.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014*

PRIOR YEAR FINDINGS

None reported

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

*CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014*

CURRENT YEAR FINDINGS

2014-001 EXCESS CHILD NUTRITION FUND BALANCE

Contact Person:

Elaine Cogburn, CPA, RTSBA
Assistant Superintendent for Business Services

Response:

The District plans to file a cash reduction plan with the Texas Department of Agriculture.

Estimated Date of Completion:

June 30, 2015

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	13610101105904	\$ 19,810
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	14610101105904	263,511
Total CFDA 84.010A			<u>283,321</u>
Special Education Cluster (IDEA):			
<i>IDEA - Part B, Formula</i>	84.027A	146600011059046600	811,132
<i>IDEA - Part B, Preschool</i>	84.173A	146610011059046610	4,931
Total Special Education Cluster (IDEA)			<u>816,063</u>
<i>Career and Technology - Basic Grant</i>	84.048A	14420006105904	29,136
<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	84.365A	13671001105904	2,673
<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	84.365A	14671001105904	15,664
Total CFDA 84.365A			<u>18,337</u>
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	13694501105904	24,654
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	14694501105904	27,653
Total CFDA 84.367A			<u>52,307</u>
<i>Summer School LEP</i>	84.369A	69551302	2,226
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>1,201,390</u></u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00547	77,193
Passed Through State Department of Education - Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401401	73,835
<i>National School Lunch Program</i>	10.555	71301401	289,138
TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER			<u>440,166</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,641,556</u></u>

The accompanying notes are an integral part of this schedule.

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Dripping Springs Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

Total Expenditures of Federal Awards per Exhibit K-1	\$ 1,641,556
General Fund - Federal Revenue	
E-Rate	38,321
Total Federal Revenues per Exhibit C-2	<u>\$ 1,679,877</u>

DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2014

EXHIBIT L-1

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 920,407