

Dripping Springs Independent School District

Basic Financial Statements
and
Independent Auditors' Report
With Accompanying Information

Year Ended June 30, 2011

Dripping Springs Independent School District

Table of Contents

<u>Exhibit Number</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	FINANCIAL SECTION	
	Independent Auditors' Report	2-3
	Management's Discussion and Analysis (Required Supplementary Information)	4-15
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A-1	Statement of Net Assets	16
B-1	Statement of Activities	17
	Fund Financial Statements:	
C-1	Balance Sheet – Governmental Funds	18
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
C-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
D-1	Statement of Net Assets – Proprietary Funds	21
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	22
D-3	Statement of Cash Flows – Proprietary Funds	23
E-1	Statement of Fiduciary Net Assets – Fiduciary Funds	24
E-2	Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	25
	Notes to Basic Financial Statements	24-46
	Required Supplementary Information:	
G-1	Budgetary Comparison Schedule – General Fund	47
	Other Supplementary Information	
	Combining and Individual Fund Statements and Schedules:	
H-1	Combining Schedule – Balance Sheet Information – Nonmajor Governmental Funds	48-50
H-2	Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – Nonmajor Governmental Funds	51-53
H-3	Combining Schedule – Statement of Net Assets Information – All Nonmajor Enterprise Funds	54
H-4	Combining Schedule – Statement of Revenues, Expenses, and Changes in Fund Net Assets Information – All Nonmajor Enterprise Funds	55
H-5	Combining Schedule – Statement of Cash Flows Information – All Nonmajor Enterprise Fund	56

Dripping Springs Independent School District

Table of Contents

(Continued)

<u>Exhibit Number</u>		<u>Page</u>
FINANCIAL SECTION (continued)		
Other Supplementary Information (continued):		
J-1	Schedule of Delinquent Taxes Receivable	57
J-2	Schedule of Expenditures for Computation of Indirect Cost for General and Special Revenue Funds	58
J-3	Fund Balance and Cash Flow Calculation Worksheet	59
J-4	Budgetary Comparison Schedule – Child Nutrition Fund	60
J-5	Budgetary Comparison Schedule – Debt Service Fund	61
FEDERAL AWARDS SECTION		
	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>	62-63
	Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	64-65
	Schedule of Findings and Questioned Costs	66-67
	Summary Schedule of Prior Audit Findings	68
	Corrective Action Plan	69
K-1	Schedule of Expenditures of Federal Awards	70
	Note to the Schedule of Expenditures of Federal Awards	71

Certificate of Board

Dripping Springs Independent School District
Name of School District

Hays
County

105904
County District Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved ___ disapproved, for the year ended June 30, 2011, at a meeting of the Board of Trustees of such school district on the 17th day of November 2011.



Signature of Board Secretary



Signature of Board President

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

Independent Auditors' Report

To the Board of Trustees
Dripping Springs Independent School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the District. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*, effective July 1, 2010.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund on pages 4 through 15 and 47, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is also not a required part of the basic financial statements of the District. The Other Supplementary Information and Schedule of Expenditures of Federal Awards, except for that portion marked unaudited on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Padgett, Stratmann + Co, LLP

Certified Public Accountants
November 7, 2011

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

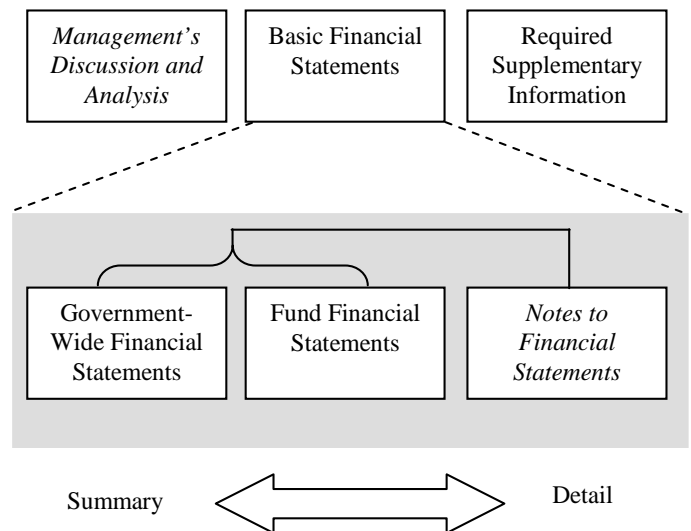
This section of the Dripping Springs Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the 12-month period ended June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$45,173,285 (*net assets*). Of this amount, \$15,148,740 (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$35,081,982. Approximately 48% of this total amount (\$16,810,770) is available for spending at the government's discretion (*general fund unassigned fund balance*). The remainder of fund balance is nonspendable, restricted or assigned to indicate it is not available for new spending because it has already been committed for various purposes, including capital projects, repayment of debt, food service, wastewater plant, and investment in inventories.
- On October 19, 2010, the District sold bonds authorized by the voters for \$10,380,000 to retire the Series 1998 bonds.

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 budgetary comparison, 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 business.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent twelve-month period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction and instructional-related services, instructional and school leadership, support services – student (pupil), administrative support services, support services – nonstudent based, and ancillary services. The business-type activities of the District include the child development center, community education, and building rental operations.

The government-wide financial statements can be found on pages immediately following this section as the first two pages of the Basic Financial Statements.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains 26 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining schedules* elsewhere in this report.

The financial statements for governmental funds can be found in the Basic Financial Statements on pages 18-19.

Compliance with the District's annual general fund operating budget for the 12 months ended June 30, 2011, is reported in the *Budgetary Comparison Schedule – General Fund* which is found in the Required Supplementary Information section. Compliance with operating budgets of the child nutrition fund and the debt service fund, which are required by the Texas Education Agency ("TEA") are reported in budgetary comparison schedules in the Other Supplementary Information section of the financial statements.

Proprietary Funds – The District maintains one type of proprietary fund. The *enterprise funds* are used to account for the child development center, community education, and building lease.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds are combined into a single, aggregated presentation in the financial statements.

The proprietary fund financial statements are included on pages 21-23 in the Basic Financial Statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements are included on pages 24-25 in the Basic Financial Statements.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

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 included on pages 26-46 of this report.

Other Supplementary Information

The combining schedules referred to earlier in connection with nonmajor governmental funds and proprietary funds and the required TEA schedules can be found immediately following the Basic Financial Statements. Combining and individual fund statements and schedules can be found on pages 48-56 of this report. The required TEA schedules are included on pages 57-61 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$45,173,285 at the close of the most recent 12-month period.

By far, the largest portion of the District's net assets \$14,065,769 (31%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. 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.

An additional portion of the District's net assets, \$15,958,776 (35%), represents resources restricted for various purposes. The remaining balance of *unrestricted net assets*, \$15,148,740, represents 34% of the District's total net assets and may be used to meet the District's ongoing obligations.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

The District's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 42,705,788	\$ 70,736,571	\$ 17,773	\$ 781,537	\$ 42,723,561	\$ 71,518,108
Capital assets	<u>151,047,283</u>	<u>133,228,206</u>	<u>-</u>	<u>-</u>	<u>151,047,283</u>	<u>133,228,206</u>
Total assets	<u>193,753,071</u>	<u>203,964,777</u>	<u>17,773</u>	<u>781,537</u>	<u>193,770,844</u>	<u>204,746,314</u>
Current liabilities	7,842,004	15,067,430	(308,459)	171,642	7,533,545	15,239,072
Long-term liabilities	<u>141,064,014</u>	<u>144,325,705</u>	<u>-</u>	<u>-</u>	<u>141,064,014</u>	<u>144,325,705</u>
Total liabilities	<u>148,906,018</u>	<u>159,393,135</u>	<u>(308,459)</u>	<u>171,642</u>	<u>148,597,559</u>	<u>159,564,777</u>
Net assets						
Invested in capital assets – net of related debt	14,065,769	13,981,121	-	-	14,065,769	13,981,121
Restricted	15,958,776	10,336,385	-	-	15,958,776	10,336,385
Unrestricted	<u>14,822,508</u>	<u>20,254,136</u>	<u>326,232</u>	<u>609,895</u>	<u>15,148,740</u>	<u>20,864,031</u>
Total net assets	<u>\$ 44,847,053</u>	<u>\$ 44,571,642</u>	<u>\$ 326,232</u>	<u>\$ 609,895</u>	<u>\$ 45,173,285</u>	<u>\$ 45,181,537</u>

Governmental and Business-Type Activities

Governmental activities increased the District's net assets by \$275,411, while business-type activities resulted in a decrease of \$283,663.

The District's total revenues were \$52,491,223. A significant portion (71%) of the District's revenue comes from property taxes.

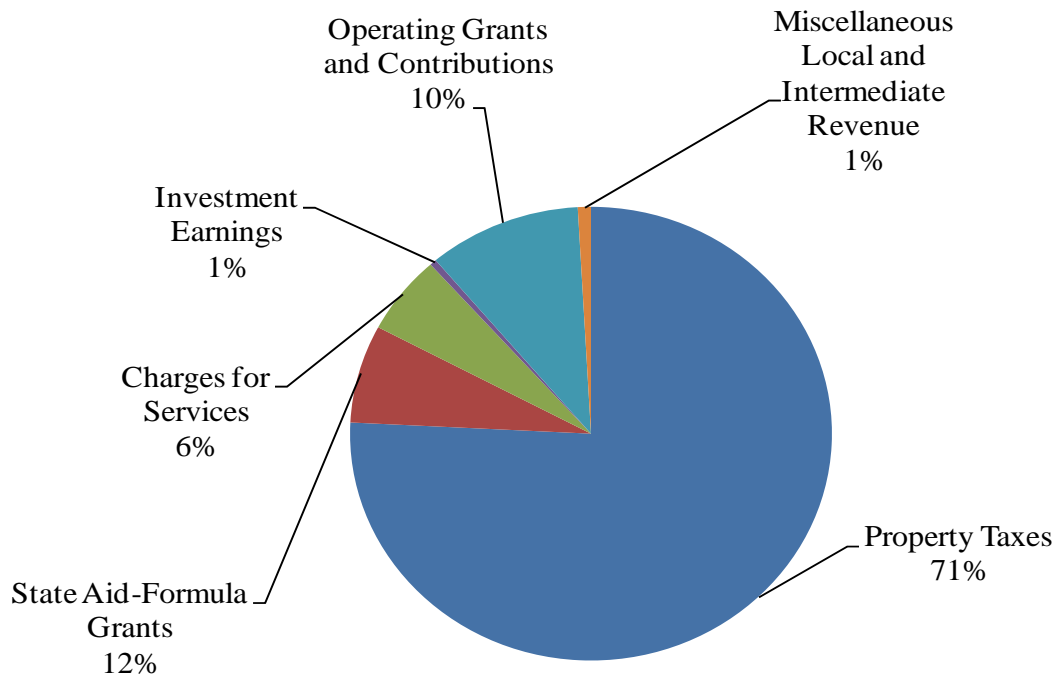
Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

The District's Revenue By Source



Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

The District's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 2,086,818	\$ 1,905,055	\$ 1,008,048	\$ 911,849	\$ 3,094,866	\$ 2,816,904
Operating grants and contributions	5,317,079	5,107,095	42,579	37,580	5,359,658	5,144,675
General revenues:						
Property tax revenues	37,813,799	37,944,861	-	-	37,813,799	37,944,861
State aid-formula grants	6,049,212	3,495,448	-	-	6,049,212	3,495,448
Investment earnings	122,527	227,767	-	-	122,527	227,767
Miscellaneous local and intermediate revenue	51,161	43,794	-	-	51,161	43,794
Transfers	274,258	(28,120)	(274,258)	28,120	-	-
Total revenues	51,714,854	48,695,900	776,369	977,549	52,491,223	49,673,449
EXPENSES						
Instruction	21,940,213	20,268,170	-	-	21,940,213	20,268,170
Instructional resources and media services	617,991	635,242	-	-	617,991	635,242
Curriculum and staff development	910,007	858,163	-	-	910,007	858,163
Instructional leadership	465,984	418,652	-	-	465,984	418,652
School leadership	2,078,487	1,992,389	-	-	2,078,487	1,992,389
Guidance, counseling, and evaluation	1,153,686	1,187,096	-	-	1,153,686	1,187,096
Health services	334,551	332,458	-	-	334,551	332,458
Student transportation	1,993,935	1,602,758	-	-	1,993,935	1,602,758
Food services	1,919,583	1,984,109	-	-	1,919,583	1,984,109
Co-curricular/extracurricular activities	1,505,870	1,515,797	-	-	1,505,870	1,515,797
General administration	1,543,662	1,378,914	-	-	1,543,662	1,378,914
Plant maintenance and operations	5,917,418	5,085,257	-	-	5,917,418	5,085,257
Security and monitoring services	110,952	88,298	-	-	110,952	88,298
Data processing services	886,130	375,856	-	-	886,130	375,856
Community services	15,702	7,242	-	-	15,702	7,242
Debt service interest on long-term debt	6,744,475	6,959,592	-	-	6,744,475	6,959,592
Debt service bond issuance cost and fees	84,275	-	-	-	84,275	-
Capital outlay	1,450,633	209,094	-	-	1,450,633	209,094
Contracted instructional services						
between schools	1,383,735	798,718	-	-	1,383,735	798,718
Other intergovernmental charges	382,154	355,739	-	-	382,154	355,739
Business type activities	-	-	1,060,032	925,242	1,060,032	925,242
Total expenses	51,439,443	46,053,544	1,060,032	925,242	52,499,475	46,978,786
Change in net assets	\$ 275,411	\$ 2,642,356	\$ (283,663)	\$ 52,307	\$ (8,252)	\$ 2,694,663

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$35,081,982. Approximately 48% of this total amount (\$16,810,770) is available for spending at the government's discretion (general fund *unassigned fund balance*). The remainder of fund balance is nonspendable, restricted, or assigned to indicate it is not available for new spending, because it has already been committed for various purposes, including capital projects, repayment of debt, food service, wastewater plant, and investment in inventories.

General Fund

The general fund is the chief operating fund of the District. At the end of the current 12-month period, fund balance of the general fund was \$18,663,845. Of this amount, \$1,575,000 is assigned for various projects, and \$278,075 is nonspendable for investment in inventories. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total general fund balance represents approximately 51% of total fund expenditures. The fund balance decreased by \$1,798,907 during the current 12-month period.

Debt Service

The debt service fund accounts for amounts held for the repayment of long-term debt. At the end of the current 12-month period, the fund balance was \$11,462,415, all of which is restricted for repayment of debt.

Capital Projects

The capital projects fund accounts for the construction of school buildings and improvements. At the end of the current 12-month period, the fund balance was \$4,217,289, all of which was restricted for subsequent years' expenditures.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

Budgetary Highlights

The District's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the general fund.

The District's adjusted 2010-2011 operating results resulted in expenditures \$519,316 below final budget amounts. The most significant positive variances resulted from instruction, general administration, and plant maintenance and operations. The positive variance in plant maintenance and operations was offset by negative variances in security and monitoring services and data processing services due to certain expenditures being budgeted in plant maintenance and operations that were actually expended in security and monitoring services and data processing services. Instructional staffing was initially budgeted for the state stabilization stimulus grant in the general fund. A portion of the appropriations were subsequently moved to the special revenue funds during the year, plus budget amounts were not adjusted for vacant positions throughout the year. A positive variance resulted from additional local tax revenue due to increased collection of property taxes for the year.

Along with the general fund, the child nutrition fund, which is a special revenue fund, and the debt service fund are also included in the annual operating budget.

Capital Assets and Debt Administration

Capital Assets

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the District has recorded depreciation expense associated with all its capital assets. The District's capital assets for its governmental activities, as of June 30, 2011, amounted to \$151,047,283, (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

- Major capital asset events during the current 12-month period included \$17,003,926 in construction in process related to school renovation and expansion.

	Governmental Activities	
	2011	2010
Land	\$ 6,935,468	\$ 4,004,934
Buildings and improvements	50,634,721	52,382,829
Furniture and equipment	4,353,695	4,720,970
Construction in progress	89,123,399	72,119,473
Total – net of depreciation	<u>\$ 151,047,283</u>	<u>\$ 133,228,206</u>

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

Additional information on the District's capital assets can be found in Note 7 on page 39 of this report.

Long-Term Debt

On October 19, 2010, the District sold bonds authorized by the voters for \$10,380,000 to retire the Series 1998 bonds. At the end of the current fiscal year, the District had total long-term debt outstanding of \$141,198,803. This entire amount is backed by the full faith and credit of the District.

Bond Ratings

The District's bonds presently carry the following ratings: Standard & Poor's – "AAA" with an underlying rating of "AA" and Moody's Investor Services – "Aaa" with an underlying rating of "AA2."

	Governmental Activities	
	2011	2010
General obligation bonds and tax notes	\$ 140,269,786	\$ 144,465,650
Premiums, discounts, and deferred charges	929,017	(108,554)
	<u>\$ 141,198,803</u>	<u>\$ 144,357,096</u>

Additional information on the District's long-term debt can be found in Note 8 on pages 41-42 of this report.

Economic Factors and Next Year's Budget and Rates

Appraised values for the 2011-2012 budget preparation increased \$48 million, or 2% from the previous year. Under House Bill 1, the District will still be considered a "property wealthy" school district and will have to send locally collected tax dollars into the state or to other schools as an equalization method under the school finance system.

The District's enrollment is expected to increase over the 2010-2011 enrollment. With the many proposed lots in development, the District anticipates continued student population growth in the future.

The District has appropriated General Fund revenues and expenditures of \$30,244,585 and \$33,833,993, respectively, in the 2011-2012 budget resulting in an estimated decrease in the General Fund's fund balance due to reduced state funding as a result of the 2011 session of the Texas State Legislature. The

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

budget was developed to best serve the students of the District and utilize the available resources in a fiscally responsible manner for taxpayers now and in the future. Under normal circumstances when approving the budget, the District's Board of Trustees considers the following resource allocation priorities recommended by the District-wide Budget Review Committee:

Salary/Benefits Consideration – To attract and retain quality employees by remaining competitive within the District's market.

Educational Program – To continuously improve the quality of and provide support for the educational programs.

Long-Range Planning – To prepare for future expansion and development to ensure quality education.

Fund Balance – To maintain appropriate fund balance in order to preserve the long-term financial stability of the District.

Given the budget crisis at the state level, the District's Board of Trustees were forced to adjust the resource allocation priorities in an attempt to maintain existing programs with reduced funding so that if the funding crisis at the state level turns around, the District can attempt to continue with the above mentioned priorities without having to start over from scratch.

Expenditure decreases in the budget were spread among the various functions and programs, so as not to impact any one function or program disproportionately.

Under the guidelines of House Bill 1, the Board of Trustees passed a Maintenance and Operations tax rate of \$1.1700 and Interest and Sinking tax rate of \$0.4500 for a combined proposed 2011-2012 tax rate of \$1.6200.

The increase in the Maintenance and Operations tax rate from the previous level of \$1.0400 automatically triggered a Tax Ratification Election held on November 8, 2011. The Tax Ratification Election was not approved by the voters, so the Maintenance and Operations tax rate reverted to \$1.0400 with a combined 2011-2012 tax rate of \$1.4900.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2011

(Continued)

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Assistant Superintendent for Business Operations, 510 West Mercer, P.O. Box 479, Dripping Springs, Texas 78620.

Dripping Springs Independent School District

Statement of Net Assets

June 30, 2011

Data Control Codes		Governmental Activities	Business-Type Activities	Total
ASSETS				
1110	Cash, cash equivalents, and temporary investments	\$ 38,902,910	\$ 17,773	\$ 38,920,683
1220	Property taxes – delinquent	1,157,231	-	1,157,231
1230	Allowance for uncollectible taxes	(23,145)	-	(23,145)
1240	Due from other governments	1,096,064	-	1,096,064
1267	Due from other funds	248	-	248
1290	Other receivables	10,559	-	10,559
1300	Inventories – at cost	293,036	-	293,036
1410	Deferred expenditures	9,178	-	9,178
1420	Capital bond and other debt issuance costs	1,259,707	-	1,259,707
	Capital assets – net of accumulated depreciation:			
1510	Land	6,935,468	-	6,935,468
1520	Buildings and improvements	50,634,721	-	50,634,721
1530	Furniture and equipment	4,353,695	-	4,353,695
1580	Construction in progress	89,123,399	-	89,123,399
1000	Total assets	<u>\$ 193,753,071</u>	<u>\$ 17,773</u>	<u>\$ 193,770,844</u>
LIABILITIES				
Current liabilities:				
2110	Accounts payable	\$ 690,125	\$ 17,904	\$ 708,029
2140	Bond interest payable	2,611,991	-	2,611,991
2150	Payroll deductions and withholdings payable	230,020	4,599	234,619
2160	Accrued wages payable	3,283,173	91,205	3,374,378
2170	Due to other funds	537,586	(537,586)	-
2180	Due to other governments	433,348	-	433,348
2300	Deferred revenue	55,761	115,419	171,180
Noncurrent liabilities:				
2501	Due within one year	4,445,000	-	4,445,000
2502	Due in more than one year	136,619,014	-	136,619,014
2000	Total liabilities	<u>148,906,018</u>	<u>(308,459)</u>	<u>148,597,559</u>
NET ASSETS				
3200	Invested in capital assets – net of related debt	14,065,769	-	14,065,769
3800	Restricted	15,958,776	-	15,958,776
3900	Unrestricted	14,822,508	326,232	15,148,740
3000	Total net assets	<u>\$ 44,847,053</u>	<u>\$ 326,232</u>	<u>\$ 45,173,285</u>

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

Dripping Springs Independent School District
Statement of Activities
Year Ended June 30, 2011

Data Control Codes	Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
	Governmental activities:						
11	Instruction	\$ 21,940,213	\$ 215,452	\$ 3,440,946	\$ (18,283,815)	\$ -	\$ (18,283,815)
12	Instructional resources and media services	617,991	-	96,879	(521,112)	-	(521,112)
13	Curriculum and staff development	910,007	-	193,520	(716,487)	-	(716,487)
21	Instructional leadership	465,984	-	30,249	(435,735)	-	(435,735)
23	School leadership	2,078,487	-	132,611	(1,945,876)	-	(1,945,876)
31	Guidance, counseling, and evaluation services	1,153,686	-	350,449	(803,237)	-	(803,237)
33	Health services	334,551	-	20,568	(313,983)	-	(313,983)
34	Student transportation	1,993,935	-	78,329	(1,915,606)	-	(1,915,606)
35	Food service	1,919,583	1,573,411	351,592	5,420	-	5,420
36	Co-curricular/extracurricular activities	1,505,870	191,829	318,944	(995,097)	-	(995,097)
41	General administration	1,543,662	36,477	59,172	(1,448,013)	-	(1,448,013)
51	Plant maintenance and operations	5,917,418	69,649	175,361	(5,672,408)	-	(5,672,408)
52	Security and monitoring services	110,952	-	500	(110,452)	-	(110,452)
53	Data processing services	886,130	-	15,280	(870,850)	-	(870,850)
61	Community services	15,702	-	52,679	36,977	-	36,977
72	Interest on long-term debt	6,744,475	-	-	(6,744,475)	-	(6,744,475)
73	Bond issuance costs and fees	84,275	-	-	(84,275)	-	(84,275)
81	Capital outlay	1,450,633	-	-	(1,450,633)	-	(1,450,633)
91	Contracted instructional services between schools	1,383,735	-	-	(1,383,735)	-	(1,383,735)
99	Other intergovernmental charges	382,154	-	-	(382,154)	-	(382,154)
TG	Total governmental activities	\$ 51,439,443	\$ 2,086,818	\$ 5,317,079	(44,035,546)	-	(44,035,546)
	Business-type activities:						
01	Day care	\$ 195,518	\$ 190,911	\$ 12,695	-	8,088	8,088
02	Community education	864,514	817,137	29,884	-	(17,493)	(17,493)
TB	Total business-type activities	\$ 1,060,032	\$ 1,008,048	\$ 42,579	-	(9,405)	(9,405)
	Data Control						
Codes	General revenues:						
MT	Property taxes – levied for general purposes				26,418,329	-	26,418,329
DT	Property taxes – levied for debt service				11,395,470	-	11,395,470
SF	State aid-formula grants				6,049,212	-	6,049,212
IE	Investment earnings				122,527	-	122,527
MI	Miscellaneous local and intermediate revenue				51,161	-	51,161
FR	Transfers				274,258	(274,258)	-
TR	Total general revenues and transfers				44,310,957	(274,258)	44,036,699
CN	Change in net assets				275,411	(283,663)	(8,252)
NB	Net assets at beginning of year				44,571,642	609,895	45,181,537
NE	Net assets at end of year				\$ 44,847,053	\$ 326,232	\$ 45,173,285

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

Dripping Springs Independent School District

Balance Sheet – Governmental Funds

June 30, 2011

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
ASSETS						
1110	Cash and cash equivalents	\$ 389,355	\$ 5,216	\$ 8,682	\$ 177,258	\$ 580,511
1120	Temporary investments	23,607,156	11,457,200	2,851,675	406,368	38,322,399
1220	Property taxes – delinquent	828,833	328,398	-	-	1,157,231
1230	Allowance for uncollectible taxes	(16,577)	(6,568)	-	-	(23,145)
1240	Due from other governments	745,267	-	-	350,797	1,096,064
1260	Due from other funds	248	-	1,606,809	486,684	2,093,741
1290	Other receivables	9,990	-	-	569	10,559
1300	Inventories – at cost	278,075	-	-	14,961	293,036
1410	Deferred expenditures	9,043	-	-	135	9,178
1000	Total assets	<u>\$ 25,851,390</u>	<u>\$ 11,784,246</u>	<u>\$ 4,467,166</u>	<u>\$ 1,436,772</u>	<u>\$ 43,539,574</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
2110	Accounts payable	\$ 378,113	\$ -	\$ 249,877	\$ 62,136	\$ 690,126
2150	Payroll deductions and withholdings payable	215,528	-	-	14,492	230,020
2160	Accrued wages payable	3,076,690	-	-	206,483	3,283,173
2170	Due to other funds	2,271,610	-	-	359,468	2,631,078
2180	Due to other governments	433,348	-	-	-	433,348
2300	Deferred revenue	812,256	321,831	-	55,760	1,189,847
2000	Total liabilities	<u>7,187,545</u>	<u>321,831</u>	<u>249,877</u>	<u>698,339</u>	<u>8,457,592</u>
Fund balances:						
Nonspendable:						
3110	Inventories	278,075	-	-	22,590	300,665
Restricted:						
3250	Federal Funds Grant – Child Nutrition Program	-	-	-	279,072	279,072
3270	Capital acquisition and contractual obligation	-	-	4,217,289	-	4,217,289
3280	Retirement of long-term debt	-	11,462,415	-	-	11,462,415
Assigned:						
3590	Other purposes	-	-	-	436,771	436,771
	Track repairs	120,000	-	-	-	120,000
	Band uniforms	105,000	-	-	-	105,000
	Tennis courts	120,000	-	-	-	120,000
	Synthetic turf	200,000	-	-	-	200,000
	Wastewater plant	1,000,000	-	-	-	1,000,000
	Baseball	30,000	-	-	-	30,000
3600	Unassigned	16,810,770	-	-	-	16,810,770
3000	Total fund balances	<u>18,663,845</u>	<u>11,462,415</u>	<u>4,217,289</u>	<u>738,433</u>	<u>35,081,982</u>
4000	Total liabilities and fund balances	<u>\$ 25,851,390</u>	<u>\$ 11,784,246</u>	<u>\$ 4,467,166</u>	<u>\$ 1,436,772</u>	
Data Control Codes Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:						
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					151,047,283
2	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds					1,134,086
4	The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:					
	Bonds payable – including premiums					(141,298,069)
	Less deferred charge for issuance costs					1,259,707
	Less deferred charge on refunding					234,055
	Bond interest payable					(2,477,205)
	Accretion of interest payable					(134,786)
19	Net assets of governmental activities					<u>\$ 44,847,053</u>

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

Dripping Springs Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2011

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
5700 Local and intermediate sources	\$ 27,150,785	\$ 11,409,733	\$ 27,439	\$ 2,218,095	\$ 40,806,052
5800 State program revenues	7,586,157	-	-	149,560	7,735,717
5900 Federal program revenues	6,082	-	-	2,944,628	2,950,710
5020 Total revenues	<u>34,743,024</u>	<u>11,409,733</u>	<u>27,439</u>	<u>5,312,283</u>	<u>51,492,479</u>
EXPENDITURES					
Current:					
0011 Instruction	18,085,017	-	-	2,510,053	20,595,070
0012 Instructional resources and media services	505,333	-	-	71,739	577,072
0013 Curriculum and staff development	691,755	-	-	157,998	849,753
0021 Instructional leadership	427,186	-	-	7,944	435,130
0023 School leadership	1,910,777	-	-	30,088	1,940,865
0031 Guidance, counseling, and evaluation services	765,980	-	-	311,318	1,077,298
0033 Health services	307,117	-	-	5,283	312,400
0034 Student transportation	2,304,231	-	-	2,000	2,306,231
0035 Food service	-	-	-	1,812,068	1,812,068
0036 Co-curricular/extracurricular activities	1,123,543	-	-	282,620	1,406,163
0041 General administration	1,441,452	-	-	-	1,441,452
0051 Plant maintenance and operations	5,590,154	-	-	946	5,591,100
0052 Security and monitoring services	615,800	-	-	500	616,300
0053 Data processing services	852,273	-	-	-	852,273
0061 Community services	4,562	-	-	10,100	14,662
Debt service:					
0071 Principal on long-term debt	225,000	3,165,000	-	-	3,390,000
0072 Interest on long-term debt	174,975	6,556,891	109,261	-	6,841,127
0073 Other debt service	-	185,726	-	-	185,726
0081 Capital outlay	25,145	-	20,810,900	-	20,836,045
Intergovernmental:					
0091 Contracted instructional services between schools	1,383,735	-	-	-	1,383,735
0099 Other intergovernmental charges	382,154	-	-	-	382,154
6030 Total expenditures	<u>36,816,189</u>	<u>9,907,617</u>	<u>20,920,161</u>	<u>5,202,657</u>	<u>72,846,624</u>
1100 Excess (deficiency) of revenues over expenditures	<u>(2,073,165)</u>	<u>1,502,116</u>	<u>(20,892,722)</u>	<u>109,626</u>	<u>(21,354,145)</u>
OTHER FINANCING SOURCES (USES)					
7911 Refunding bonds issued	-	10,380,000	-	-	10,380,000
7915 Transfers in	335,508	-	-	-	335,508
7916 Premium on issuance of bonds	-	1,092,347	-	-	1,092,347
8911 Transfers out	(61,250)	-	-	-	(61,250)
8949 Payment to bond refunding escrow agent	-	(11,329,334)	-	-	(11,329,334)
7080 Total other financing sources (uses)	<u>274,258</u>	<u>143,013</u>	<u>-</u>	<u>-</u>	<u>417,271</u>
1200 Net change in fund balances	<u>(1,798,907)</u>	<u>1,645,129</u>	<u>(20,892,722)</u>	<u>109,626</u>	<u>(20,936,874)</u>
0100 Fund balances at beginning of year	<u>20,462,752</u>	<u>9,817,286</u>	<u>25,110,011</u>	<u>628,807</u>	<u>56,018,856</u>
3000 Fund balances at end of year	<u>\$ 18,663,845</u>	<u>\$ 11,462,415</u>	<u>\$ 4,217,289</u>	<u>\$ 738,433</u>	<u>\$ 35,081,982</u>

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

Dripping Springs Independent School District
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances-total governmental funds \$ (20,936,874)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay – exclusive of noncapitalized items	20,643,165
Depreciation expense	(2,824,088)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred tax revenue	(100,199)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

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

Issuance costs	176,627
Repayment of bonds and notes principal	14,570,001
Bond proceeds – including premium	(11,472,347)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in bond interest payable	124,401
Change in accretion payable	5,863
Amortization of issuance costs	(75,175)
Amortization of deferred charge on refunding	(32,725)
Amortization of bond premiums/discount	87,501
Change in rebatable arbitrage	109,261

Change in net assets of governmental activities	\$ 275,411
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The notes to the basic financial statements form an integral part of this statement.

Dripping Springs Independent School District
Statement of Net Assets – Proprietary Funds
June 30, 2011

	<u>Business-Type Activities- Nonmajor Enterprise Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 17,773
Due from other funds	<u>537,586</u>
Total assets	<u><u>\$ 555,359</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 17,904
Payroll deductions and withholdings payable	4,599
Accrued wages payable	91,205
Deferred revenue	<u>115,419</u>
Total liabilities	<u>229,127</u>
 NET ASSETS	
Unrestricted net assets	<u>326,232</u>
Total net assets	<u><u>\$ 326,232</u></u>

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

Dripping Springs Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Proprietary Funds
Year Ended June 30, 2011

	Business-Type Activities- Nonmajor Enterprise Funds
OPERATING REVENUES	
Local and intermediate sources	\$ 1,008,048
State program revenues	42,579
	1,050,627
Total operating revenues	1,050,627
OPERATING EXPENSES	
Payroll costs	812,045
Professional and contracted services	154,745
Supplies and materials	81,562
Other operating	11,680
	1,060,032
Total operating expenses	1,060,032
Operating loss before transfers	(9,405)
TRANSFERS	
Transfers in	61,250
Transfers out	(335,508)
	(274,258)
Total net transfers	(274,258)
Change in net assets	(283,663)
Total net assets at beginning of year	609,895
Total net assets at end of year	\$ 326,232

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

Dripping Springs Independent School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2011

	Business-Type Activities- Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers/contributors	\$ 557,182
Payments to suppliers	(251,248)
Payments to employees	(795,355)
	(489,421)
Net cash used in operating activities	(489,421)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	61,250
Transfers to other funds	(335,508)
	(274,258)
Net cash used in noncapital financing activities	(274,258)
Net decrease in cash and cash equivalents	(763,679)
Cash and cash equivalents at beginning of year	781,452
Cash and cash equivalents at end of year	\$ 17,773
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss before transfers	\$ (9,405)
Adjustments to reconcile operating loss before transfers to net cash used in operating activities:	
Increase in receivables	85
Increase in due from other funds	(537,586)
Decrease in accounts payable	(3,261)
Increase in payroll deductions and withholdings payable	398
Increase in accrued wages payable	16,292
Decrease in deferred revenue	44,056
	44,056
Net cash used in operating activities	\$ (489,421)

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

Dripping Springs Independent School District
Statement of Fiduciary Net Assets – Fiduciary Funds
 June 30, 2011

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 3,000	\$ 14,264
Temporary investments	<u>64,902</u>	<u>10,325</u>
Total assets	<u>\$ 67,902</u>	<u>\$ 24,589</u>
LIABILITIES		
Due to other funds	\$ -	\$ 248
Due to student groups	<u>-</u>	<u>24,341</u>
Total liabilities	<u>-</u>	<u>\$ 24,589</u>
NET ASSETS		
Held in trust for private purposes	<u>\$ 67,902</u>	

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

Dripping Springs Independent School District
Statement of Changes in Fiduciary Net Assets –
Fiduciary Funds
Year Ended June 30, 2011

	Private Purpose Trust Fund
ADDITIONS	
Donations	\$ 1,112
	1,112
DEDUCTIONS	
Scholarships	3,500
	(2,388)
Change in net assets	(2,388)
Net assets held in trust for private purposes at beginning of year	70,290
Net assets held in trust for private purposes at end of year	\$ 67,902

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

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The Financial Reporting Entity

This report includes those activities, organizations, and functions which are related to the Dripping Springs Independent School District (the “District”) and which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity,” as defined by Governmental Accounting Standards Board (“GASB”) in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity. The District is a governmental entity exempt from federal income taxation under Internal Revenue Code Section 115.

The accounting policies of the District substantially comply with the rules prescribed by the Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide (“FAR”). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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, other than grants, 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 sixty days of the end of the current fiscal period. Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred and all eligibility requirements have been met, except in the Child Nutrition Special Revenue Fund where revenue recognized is based on the number of students served. Funds received, but unearned, are reflected as deferred revenues, and funds expended, but not yet received, are shown as receivables. Interest revenue and building rentals are recorded when earned since they are measurable and available. Other revenues such as fees, tuition, local food service revenue, and miscellaneous revenues are recognized when measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and rebatable arbitrage expenditures are recorded only when the liability has matured.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred revenue.

The District reports the following major governmental funds:

- The General Fund includes financial resources used for general operations. It is a budgeted fund, and any fund balances are considered resources available for current operations.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

- The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. This fund is a budgeted fund.
- The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of the equipment necessary for providing educational programs for all students within the District. This fund is budgeted on a project basis.

Additionally, the District reports the following nonmajor fund types:

- Special Revenue Funds are governmental funds which include resources restricted to, or designated for, specific purposes by a grantor. State and federally financed programs, where unused balances are returned to the grantor at the close of specified project periods, are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds. This fund type also includes child nutrition operations, campus activity funds, and high school allotment which are allowed to maintain fund balance. The child nutrition fund is required to be budgeted.
- Enterprise Funds are proprietary funds used to account for the operations of the District's day care, community education, and building lease funds.
- The Private Purpose Trust Fund is a fiduciary trust fund and is used to account for the principal and income that benefit individuals in the form of scholarships.
- The Agency Fund is an unbudgeted fund and is used to account for activities of student groups. This fund has no equity, assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the District.
- 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as needed.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Effective July 1, 2010, the District adopted GASB Statement No. 59, *Financial Instruments Omnibus*, which revised the reporting and disclosure for certain types of financial instruments. The adoption of this standard did not have an impact on the District's financial statements.

Effective July 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which revised the reporting and disclosure of governmental fund fund balances. For fiscal year 2011, the District reported the following types of governmental fund balances: Nonspendable, Restricted, Assigned, and Unassigned.

- Nonspendable fund balances are those that are not in a spendable form.
- Restricted fund balances are those that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (i.e., debt covenants), grantors, contributors, or laws/regulations of other governments; or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party.
- Assigned fund balances are those that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances do not require District Board formal action and may be specified as "intent" simply through the budgeting process that the resources from these funds be spent for specific purposes within the fund.
- Unassigned fund balances are those within the General Fund and represent fund balance that has not been restricted, committed, or assigned.

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

Budgetary Information

The Board adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Child Nutrition Fund, which is included in the Special Revenue Funds. The District is required to present the original and final amended budgeted revenues and expenditures compared to

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Budgetary Information (continued)

actual revenues and expenditures for these funds. This information is presented as required supplementary information for the General Fund and as supplementary information for the Debt Service and Child Nutrition Funds.

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

- Prior to June 30, 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.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
- Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

There were end-of-year outstanding encumbrances provided for in the subsequent year's budget totaling \$475,714 for the General Fund, \$136,527 in the Capital Projects Fund, \$1,103 in the Special Revenue Funds, and \$45,745 in other nonmajor governmental funds.

The District had the following excess of outlays over final appropriations in the General Fund:

- Security and Monitoring Services and Data Processing Services – some expenditures budgeted in Plant Maintenance and Operations were incorrectly coded. When actually expended, they were correctly coded to Security and Monitoring Services and Data Processing Services, resulting in variances in both categories.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Budgetary Information (continued)

- Community Services – Expenditures in this category increased due to unbudgeted printing costs. The variance primarily exists due to the low-dollar level of spending, which results in significant percentage variances with even insignificant increase in spending.

Assets, Liabilities, and Net Assets or Equity

Statement of Cash Flows – For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments – Temporary investments throughout the year consisted of investments in external investment pools and money market mutual funds. The District is entitled to invest any and all of its funds in fully collateralized certificates of deposit (“CDs”), direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, banker’s acceptances, commercial paper, money market mutual funds, and local government investment pools. The District’s investment policies and types of investments are governed by Section 2256 of the Government Code (“Public Funds Investment Act”). The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories – Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the weighted average method and is offset at year-end by a nonspendable fund balance, which indicates they do not represent available spendable resources. Federal food commodities inventory is stated at fair value and, at year-end, is recorded as deferred revenue. Revenue is recognized at fair value when commodities are distributed to the schools.

Capital Assets – Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in process, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. The District defines capital assets as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Capital assets (other than land) are depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20 to 50 years and furniture and equipment – 5 to 15 years.

Ad Valorem Property Taxes – Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Due From (To) Other Funds – Interfund receivables and payables arise from interfund receipts or disbursements of cash and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

Deferred Expenditures – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements.

Accumulated Sick Leave Liability – The state of Texas has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Rebatable Arbitrage – The interest paid on most debt issued by state and local governments is exempt from federal income tax. As a result, purchasers of state and municipal debt are willing to accept lower interest rates than they would on taxable debt. State and local governments sometimes temporarily reinvest the proceeds of such tax-exempt debt in materially higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. The District's liability for rebatable arbitrage as of June 30, 2011 was \$0, which is included in the government-wide financial statements. The District paid \$109,261 in rebatable arbitrage during the year ended June 30, 2011. No recognition is made in governmental funds until rebatable amounts are actually due and payable to the federal government.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Fund Equity – In the fund financial statements, unassigned fund balances for governmental funds indicate available amounts for the budgeting of future operations. Restricted and assigned fund balances are that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes. Designations of fund balance as nonspendable, restricted, assigned, or unassigned are the representations of management for the utilization of financial resources in future periods.

Data Control Totals – The data control codes refer to the account code structure prescribed by the TEA in the FAR. TEA requires school districts to display these codes in the financial statements filed with the agency in order to insure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates – The preparation of financial statements in accordance with generally accepted accounting principles (“GAAP”) requires the use of management’s estimates.

Accrued Wages Payable – Employees who do not work a full year are generally paid from September through August. Employee wages earned, but unpaid as of June 30, are accrued as a liability. The accrued wages for these employees, most of whom are teachers, are generally paid in July and August.

2. Deposits and Investments

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District’s deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District’s investment strategy, in order of priority, are preservation and safety of principal,

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- CDs and share certificates
- Fully collateralized repurchase agreements
- A securities lending program that meets various requirements

Dripping Springs Independent School District

Notes to Basic Financial Statements

2. Deposits and Investments (continued)

- No-load money market mutual funds and no-load mutual funds that are registered with the Securities and Exchange Commission (“SEC”) and meet the criteria and eligibility requirements
- A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements
- Public funds investment pools meeting certain requirements

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District’s agent approved pledged securities 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 dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and CDs provided by the depository bank.

At June 30, 2011, the carrying amount of the District’s deposits was \$615,549, and the bank balance was \$778,638.

The District’s deposits with financial institutions at June 30, 2011, and during the year ended June 30, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. The deposits were collateralized in accordance with Texas law and the TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Name of depository bank: Prosperity Bank
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$5,703,724.
- Largest cash, savings, and time deposit combined account balance amounted to \$5,626,232 and occurred during the month of September 2010.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Dripping Springs Independent School District

Notes to Basic Financial Statements

2. Deposits and Investments (continued)

Investments held at June 30, 2011 consisted of the following:

<u>Type</u>	<u>Carrying and Fair Value</u>
Texas Local Government Investment Pool	\$ 26,074,461
TexasDAILY	7,511,765
Prosperity Bank money market funds	4,811,400
	<u>\$ 38,397,626</u>

The District participates in the Texas Local Governmental Investment Pool (“TexPool”), which is an external investment pool offered to local governments under the provisions of the Interlocal Cooperations Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act. Although TexPool is not registered with the SEC as an investment company, the District believes it operates as a Rule 2a7-like pool as described in GASB Statement No. 59. As such, the District uses amortized cost to report its investment.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy, and this board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act. TexPool is rated AAAM by Standard & Poor’s.

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 known 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. An advisory board composed of participants and nonparticipant members elected by the participant shareholders of TexasTERM is responsible for the overall management of TexasTERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of TexasTERM and monitor investment performance and the method of valuing the

Dripping Springs Independent School District

Notes to Basic Financial Statements

2. Deposits and Investments (continued)

shares. The investment advisor and administrator for TexasDAILY is PFM Asset Management LLC. TexasTERM and TexasDAILY are rated AAAM by Standard & Poor's. Although TexasTERM is not registered with the SEC as an investment company, the District believes it operates as a Rule 2a7-like pool as described in GASB Statement No. 59.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At June 30, 2011, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent, but not in the District's name. At June 30, 2011, the District was not exposed to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. At June 30, 2011, all of the District's investments were with TexPool, TexasDAILY, and Prosperity Bank.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

3. Appraisal District and Property Taxes

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Hays Central Appraisal District and Travis Central Appraisal District (the "Appraisal

Dripping Springs Independent School District

Notes to Basic Financial Statements

3. Appraisal District and Property Taxes (continued)

Districts”) are responsible for the recording and appraisal of all property in the District. Under the Code, the District sets the tax rates on property, and the Hays County Tax Office provides tax collection services. The Appraisal Districts are required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years.

Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Districts’ review boards through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E of the Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The assessed value at January 1, 2010, upon which the October 2010 levy was based, was \$2,689,502,236. The District levied taxes based on a combined tax rate of \$1.49 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

4. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as due from other governments and are summarized below as of June 30, 2011.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
State	\$ <u>745,267</u>	\$ <u>350,797</u>	\$ <u>1,096,064</u>

Dripping Springs Independent School District

Notes to Basic Financial Statements

5. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of June 30, 2011 is as follows:

	<u>Due From</u>	<u>Due To</u>
Major fund – general fund:		
Capital projects	\$ -	\$ 1,606,809
Nonmajor	-	127,215
Enterprise	-	537,586
Agency	248	-
Total general fund	<u>248</u>	<u>2,271,610</u>
Major fund – capital projects:		
General	<u>1,606,809</u>	<u>-</u>
Total capital projects fund	<u>1,606,809</u>	<u>-</u>
Nonmajor funds:		
General	<u>486,684</u>	<u>359,469</u>
Total nonmajor funds	<u>486,684</u>	<u>359,469</u>
Proprietary fund:		
General	<u>537,586</u>	<u>-</u>
Total proprietary fund	<u>537,586</u>	<u>-</u>
Fiduciary fund:		
General	<u>-</u>	<u>248</u>
Total fiduciary fund	<u>-</u>	<u>248</u>
Total all funds	<u><u>\$ 2,631,327</u></u>	<u><u>\$ 2,631,327</u></u>

During the year, a nonmajor enterprise fund transferred \$8,442 to the General Fund to transfer amounts earned by day care.

During the year, a nonmajor enterprise fund transferred \$146,120 to the General Fund to transfer revenue related to community education. During the year, the General Fund transferred \$61,250 to a nonmajor enterprise fund to fund community education.

During the year, a nonmajor enterprise fund transferred \$180,946 to the General Fund to close out the Building Lease fund and combine it with the General Fund.

Dripping Springs Independent School District

Notes to Basic Financial Statements

6. Deferred Revenue

At June 30, 2011, deferred revenue in governmental funds consisted of the following:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
Net tax revenue	\$ 812,256	\$ 321,831	\$ -	\$ 1,134,087
Federal and state grants	-	-	55,760	55,760
	<u>\$ 812,256</u>	<u>\$ 321,831</u>	<u>\$ 55,760</u>	<u>\$ 1,189,847</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets – not being depreciated:				
Land	\$ 4,004,934	\$ 2,930,534	\$ -	\$ 6,935,468
Construction in progress	72,119,473	17,003,926	-	89,123,399
Total capital assets – not being depreciated	<u>76,124,407</u>	<u>19,934,460</u>	<u>-</u>	<u>96,058,867</u>
Capital assets – being depreciated:				
Buildings and improvements	70,432,604	-	-	70,432,604
Furniture and equipment	10,312,357	708,705	-	11,021,062
Total capital assets – being depreciated	<u>80,744,961</u>	<u>708,705</u>	<u>-</u>	<u>81,453,666</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,049,775)	(1,748,108)	-	(19,797,883)
Furniture and equipment	(5,591,387)	(1,075,980)	-	(6,667,367)
Total accumulated depreciation	<u>(23,641,162)</u>	<u>(2,824,088)</u>	<u>-</u>	<u>(26,465,250)</u>
Total capital assets, being depreciated – net	<u>57,103,799</u>	<u>(2,115,383)</u>	<u>-</u>	<u>54,988,416</u>
Governmental activities capital assets – net	<u>\$ 133,228,206</u>	<u>\$ 17,819,077</u>	<u>\$ -</u>	<u>\$ 151,047,283</u>

Dripping Springs Independent School District

Notes to Basic Financial Statements

7. Capital Assets (continued)

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

Governmental Activities

Instruction	\$ 1,460,343
Instructional resources and media services	40,919
Curriculum and staff development	60,254
Instructional leadership	30,854
School leadership	137,622
Guidance, counseling, and evaluation services	76,388
Health services	22,151
Student transportation	163,529
Food service	128,489
Co-curricular/extracurricular activities	99,707
General administration	102,210
Plant maintenance and operations	396,450
Security and monitoring services	43,700
Data processing services	60,432
Community services	<u>1,040</u>
	<u>\$ 2,824,088</u>

Dripping Springs Independent School District

Notes to Basic Financial Statements

8. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011.

	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Beginning Balance</u>	<u>Accretion</u>	<u>Additions/ Refunding</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Bonds and Notes Payable								
Unlimited Tax Refunding Bonds, Series 1998	4.05%-5.00%	\$ 11,834,995	\$ 11,680,001	\$ -	\$ (11,180,001)	\$ (500,000)	\$ -	\$ -
Limited Maintenance Tax Notes, Series 2002	4.25%-5.25%	5,200,000	3,700,000	-	-	(225,000)	3,475,000	240,000
Unlimited Tax Refunding Bonds, Series 2003	3.00%-4.25%	8,699,997	6,560,000	-	-	(710,000)	5,850,000	725,000
School Building Unlimited Tax Bonds, Series 2005	3.00%-5.00%	28,520,000	26,500,000	-	-	-	26,500,000	780,000
Unlimited Tax Refunding Bonds, Series 2007	4.00%-4.50%	4,764,999	4,760,649	(5,863)	-	-	4,754,786	-
Unlimited Tax School Building Bonds, Series 2008	3.00%-5.25%	96,170,000	91,265,000	-	-	(1,955,000)	89,310,000	1,950,000
Unlimited Tax Refunding Bonds, Series 2010	2.00%-4.00%	10,380,000	-	-	10,380,000	-	10,380,000	750,000
			<u>144,465,650</u>	<u>(5,863)</u>	<u>(800,001)</u>	<u>(3,390,000)</u>	<u>140,269,786</u>	<u>4,445,000</u>
Deferred charge on Series 2003 Refunding			(185,088)	-	-	26,441	(158,647)	-
Deferred charge on Series 2007 Refunding			(81,692)	-	-	6,284	(75,408)	-
Premium on Series 2003 Refunding			52,218	-	-	(7,460)	44,758	-
Premium on Series 2005 Bonds			425,634	-	-	(21,282)	404,352	-
Premium on Series 2010 Bonds			-	-	1,092,347	(74,478)	1,017,869	-
Discount on 2008 Bonds			(319,626)	-	-	15,719	(303,907)	-
			<u>\$ 144,357,096</u>	<u>\$ (5,863)</u>	<u>\$ 292,346</u>	<u>\$ (3,444,776)</u>	<u>\$ 141,198,803</u>	<u>\$ 4,445,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100.00 of assessed valuation of taxable property within the District. The District currently has a debt service tax rate of \$0.45.

Dripping Springs Independent School District

Notes to Basic Financial Statements

8. Long-Term Debt (continued)

Annual debt service requirements for all bonds and notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 4,445,000	\$ 6,605,881	\$ 11,050,881
2013	4,635,000	6,458,163	11,093,163
2014	4,090,000	6,277,789	10,367,789
2015	4,805,000	6,107,543	10,912,543
2016	4,995,000	5,917,389	10,912,389
2017-2021	28,660,000	26,014,671	54,674,671
2022-2026	34,420,000	18,831,217	53,251,217
2027-2031	39,490,000	9,829,495	49,319,495
2032-2033	14,595,000	1,159,463	15,754,463
	140,135,000	\$ 87,201,611	\$ 227,336,611
Plus accretion – Series 2007	134,786		
	\$ 140,269,786		
	Accretion Payable		
Balance at June 30, 2010	\$ 140,649		
Current year portion	(5,863)		
Balance at June 30, 2011	\$ 134,786		

The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

The accretion payable shown above is included in interest payable on the government-wide statement of net assets.

In October 2010, the District issued \$10,380,000 of Unlimited Tax Refunding Bonds, Series 2010, in order to retire the outstanding Unlimited Tax Refunding Bonds, Series 1998. This refunding transaction resulted in cash flow savings of \$2,044,000 and net present value savings of \$1,785,000 over the life of the bonds.

Dripping Springs Independent School District

Notes to Basic Financial Statements

9. Revenues From Local and Intermediate Sources

For the year ended June 30, 2011, revenues from local and intermediate sources in governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 26,185,775	\$ 11,296,994	\$ -	\$ -	\$ 37,482,769
Penalties, interest, and other tax related income	232,554	98,476	-	-	331,030
Food service	-	-	-	1,573,411	1,573,411
Enterprising services	-	-	-	629,224	629,224
Investment income	78,620	14,263	27,439	2,205	122,527
Co-curricular/extracurricular activities	191,829	-	-	-	191,829
Gifts and bequests	89,268	-	-	13,255	102,523
Management fees	36,477	-	-	-	36,477
Rent	69,649	-	-	-	69,649
Tuition and fees from patrons	215,452	-	-	-	215,452
Other	51,161	-	-	-	51,161
	<u>51,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,161</u>
Total	<u>\$ 27,150,785</u>	<u>\$ 11,409,733</u>	<u>\$ 27,439</u>	<u>\$ 2,218,095</u>	<u>\$ 40,806,052</u>

10. Defined Benefit Pension Plan Obligations

Plan Description

The 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, Chapters 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 the report from the TRS Internet web site, <http://www.trs.state.tx.us>, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8878, or by writing to the TRS Communications Department, 1000 Red River, Austin, Texas 78701.

Dripping Springs Independent School District

Notes to Basic Financial Statements

10. Defined Benefit Pension Plan Obligations (continued)

Funding Policy

Contribution requirements are not actuarially determined, but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.000% of the member's annual compensation and a state contribution rate of not less than 6.000% and not more than 10.000% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.400% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.580% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.400% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2011, 2010, and 2009 were \$1,308,825, \$1,282,727, and \$1,253,058, respectively. The District paid additional state contributions for the years ended June 30, 2011, 2010, and 2009 in the amount of \$315,274, \$301,220, and \$327,719, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

11. Health Care Coverage

Health Insurance Plan

During the year ended June 30, 2011, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$275 per month per employee to the Plan for each employee enrolled in the Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

Dripping Springs Independent School District

Notes to Basic Financial Statements

11. Health Care Coverage (continued)

Retiree Health Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. 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. TRS 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 <http://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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, and 2009. 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. For the years ended June 30, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$196,994, \$193,065, and \$190,434, respectively, the active member contributions were \$166,338, \$157,183, and \$152,416, respectively, and the District's contributions were \$140,746, \$133,007, and \$128,967, respectively, which equaled the required contributions each year.

Medicare Part D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$69,079, \$61,694, and \$55,575 for fiscal years 2011, 2010, and 2009, respectively.

Dripping Springs Independent School District

Notes to Basic Financial Statements

12. Risk Management

The District's risk management program includes coverages through third-party insurance providers for property, automobile liability, school professional liability, crime, workers' compensation, and other miscellaneous bonds. During the year ended June 30, 2011, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

13. Commitments and Contingencies

The District participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

At June 30, 2011, the District is also committed under construction contracts with a remaining balance of approximately \$2,453,422.

The District was not involved in any significant litigation during the year ended June 30, 2011.

14. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2011, with amounts due within one year as of June 30, 2011.

	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>Amount Due Within One Year</u>
Bonds payable	\$ 144,216,444	\$ 11,472,347	\$ (14,624,777)	\$ 141,064,014	\$ 4,445,000
Rebatable arbitrage	<u>109,261</u>	<u>-</u>	<u>(109,261)</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 144,325,705</u>	<u>\$ 11,472,347</u>	<u>\$ (14,734,038)</u>	<u>\$ 141,064,014</u>	<u>\$ 4,445,000</u>

Required Supplementary Information

Dripping Springs Independent School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2011

		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
		<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES					
5700	Local and intermediate sources	\$ 25,856,620	\$ 25,965,911	\$ 27,150,785	\$ 1,184,874
5800	State program revenues	7,661,134	7,525,465	7,586,157	60,692
5900	Federal program revenues	18,600	18,600	6,082	(12,518)
5020	Total revenues	<u>33,536,354</u>	<u>33,509,976</u>	<u>34,743,024</u>	<u>1,233,048</u>
EXPENDITURES					
Current:					
0011	Instruction	18,437,857	18,812,714	18,085,017	727,697
0012	Instructional resources and media services	510,348	505,629	505,333	296
0013	Curriculum and staff development	660,099	677,335	691,755	(14,420)
0021	Instructional leadership	409,300	414,695	427,186	(12,491)
0023	School leadership	1,899,501	1,917,609	1,910,777	6,832
0031	Guidance, counseling, and evaluation services	736,406	741,737	765,980	(24,243)
0033	Health services	291,900	292,626	307,117	(14,491)
0034	Student transportation	2,235,561	2,342,836	2,304,231	38,605
0036	Co-curricular/extracurricular activities	1,028,234	1,106,802	1,123,543	(16,741)
0041	General administration	1,518,072	1,549,505	1,441,452	108,053
0051	Plant maintenance and operations	6,051,439	6,133,526	5,590,154	543,372
0052	Security and monitoring services	73,180	73,587	615,800	(542,213)
0053	Data processing services	428,456	627,663	852,273	(224,610)
0061	Community services	2,300	2,300	4,562	(2,262)
Debt service:					
0071	Principal on long-term debt	225,000	225,000	225,000	-
0072	Interest on long-term debt	174,975	174,975	174,975	-
0081	Capital outlay	-	-	25,145	(25,145)
Intergovernmental:					
0091	Contracted instructional services between schools	1,667,889	1,362,552	1,383,735	(21,183)
0099	Other intergovernmental charges	374,414	374,414	382,154	(7,740)
6030	Total expenditures	<u>36,724,931</u>	<u>37,335,505</u>	<u>36,816,189</u>	<u>519,316</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(3,188,577)</u>	<u>(3,825,529)</u>	<u>(2,073,165)</u>	<u>1,752,364</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	335,508	335,508
8911	Transfers out	(60,000)	(60,000)	(61,250)	(1,250)
7080	Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>274,258</u>	<u>334,258</u>
1200	Net change in fund balance	(3,248,577)	(3,885,529)	(1,798,907)	2,086,622
0100	Fund balance at beginning of year	<u>20,462,752</u>	<u>20,462,752</u>	<u>20,462,752</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 17,214,175</u>	<u>\$ 16,577,223</u>	<u>\$ 18,663,845</u>	<u>\$ 2,086,622</u>

Other Supplementary Information

Dripping Springs Independent School District
 Combining Schedule – Balance Sheet Information
 Nonmajor Governmental Funds
 June 30, 2011

	204	211	224	225	226	240	244	255
	ESEA Title IV, A Safe and Drug Free Schools	ESEA Title I, A Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Discretionary	National School Breakfast and Lunch Program	Career and Technical – Basic Grant	ESEA Title II, A Training and Principal Training and Recruiting
ASSETS								
Cash and cash equivalents	\$ -	-	-	-	-	104,987	-	-
Temporary investments	-	-	-	32	-	251,816	10,828	-
Due from other governments	-	34,581	153,637	5,976	-	-	1,972	9,848
Due from other funds	-	-	-	-	-	22,342	-	465
Other receivables	-	-	-	-	-	29	-	-
Inventories – at cost	-	-	-	-	-	14,961	-	-
Deferred expenditures	-	-	-	-	-	-	-	-
Total assets	\$ -	34,581	153,637	6,008	-	394,135	12,800	10,313
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	4,935	1,078	-	-	2,158	-	2,700
Payroll deductions and withholdings payable	-	523	4,158	-	-	8,376	-	688
Accrued wages payable	-	13,721	69,098	-	-	81,939	-	6,925
Due to other funds	-	15,402	79,303	6,008	-	-	12,800	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	-	34,581	153,637	6,008	-	92,473	12,800	10,313
Fund Balances								
Nonspendable:								
Inventories	-	-	-	-	-	22,590	-	-
Restricted:								
Federal funds grant	-	-	-	-	-	279,072	-	-
Assigned:								
Other	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	301,662	-	-
Total liabilities and fund balances	\$ -	34,581	153,637	6,008	-	394,135	12,800	10,313

Dripping Springs Independent School District
 Combining Schedule – Balance Sheet Information
 Nonmajor Governmental Funds (continued)
 June 30, 2011

	263	266	283	285	288	289	392	397
	Title III, A	Title XIV	IDEA	ESEA Title I, A		Other Federal	Noneducational	Advanced
	English Lang.	ARRA State	ARRA – Part B	ARRA – Improving	SHARS	Special	Community-Based	Placement
	Acquisition	Stabilization	Formula	Basic Programs		Revenue Funds	Support	Initiatives
ASSETS								
Cash and cash equivalents	\$ -	-	-	-	50,633	-	1,000	13,292
Temporary investments	-	-	56,889	67,344	-	2,149	-	10,908
Due from other governments	18,981	-	115,036	8,496	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	1,087
Other receivables	-	-	-	-	-	-	-	-
Inventories – at cost	-	-	-	-	-	-	-	-
Deferred expenditures	-	-	135	-	-	-	-	-
Total assets	<u>\$ 18,981</u>	<u>-</u>	<u>172,060</u>	<u>75,840</u>	<u>50,633</u>	<u>2,149</u>	<u>1,000</u>	<u>25,287</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 10,073	-	1,991	-	-	-	-	-
Payroll deductions and withholdings payable	223	-	-	-	-	-	-	-
Accrued wages payable	8,646	-	-	-	-	-	-	-
Due to other funds	39	-	170,069	75,840	-	-	-	-
Deferred revenue	-	-	-	-	50,633	2,149	-	-
Total liabilities	<u>18,981</u>	<u>-</u>	<u>172,060</u>	<u>75,840</u>	<u>50,633</u>	<u>2,149</u>	<u>-</u>	<u>-</u>
Fund Balances								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Restricted:								
Federal funds grant	-	-	-	-	-	-	-	-
Assigned:								
Other	-	-	-	-	-	-	1,000	25,287
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>25,287</u>
Total liabilities and fund balances	<u>\$ 18,981</u>	<u>-</u>	<u>172,060</u>	<u>75,840</u>	<u>50,633</u>	<u>2,149</u>	<u>1,000</u>	<u>25,287</u>

Dripping Springs Independent School District
 Combining Schedule – Balance Sheet Information
 Nonmajor Governmental Funds (continued)
 June 30, 2011

	404	411	461	481	482	483	499	Total
	Student	Technology	Campus	San Marcos	Memorabilia	Education	Other Local	Nonmajor
	Success	Allotment	Activity	Civic	Fund	Foundation	Special	Governmental
	Initiative		Funds	Foundation		Grant	Revenue Funds	Funds
ASSETS								
Cash and cash equivalents	\$ -	-	-	2,978	135	-	4,233	\$ 177,258
Temporary investments	-	6,402	-	-	-	-	-	406,368
Due from other governments	1,614	656	-	-	-	-	-	350,797
Due from other funds	-	19,512	443,278	-	-	-	-	486,684
Other receivables	-	-	540	-	-	-	-	569
Inventories – at cost	-	-	-	-	-	-	-	14,961
Deferred expenditures	-	-	-	-	-	-	-	135
Total assets	<u>\$ 1,614</u>	<u>26,570</u>	<u>443,818</u>	<u>2,978</u>	<u>135</u>	<u>-</u>	<u>4,233</u>	<u>\$ 1,436,772</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	1,499	37,702	-	-	-	-	\$ 62,136
Payroll deductions and withholdings payable	32	492	-	-	-	-	-	14,492
Accrued wages payable	1,575	24,579	-	-	-	-	-	206,483
Due to other funds	7	-	-	-	-	-	-	359,468
Deferred revenue	-	-	-	2,978	-	-	-	55,760
Total liabilities	<u>1,614</u>	<u>26,570</u>	<u>37,702</u>	<u>2,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>698,339</u>
Fund Balances								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	22,590
Restricted:								
Federal funds grant	-	-	-	-	-	-	-	279,072
Assigned:								
Other	-	-	406,116	-	135	-	4,233	436,771
Total fund balances	<u>-</u>	<u>-</u>	<u>406,116</u>	<u>-</u>	<u>135</u>	<u>-</u>	<u>4,233</u>	<u>738,433</u>
Total liabilities and fund balances	<u>\$ 1,614</u>	<u>26,570</u>	<u>443,818</u>	<u>2,978</u>	<u>135</u>	<u>-</u>	<u>4,233</u>	<u>\$ 1,436,772</u>

Dripping Springs Independent School District
 Combining Schedule – Statement of Revenues, Expenditures, and
 Changes in Fund Balance Information
 Nonmajor Governmental Funds
 Year Ended June 30, 2011

	204	211	224	225	226	240	244	255
	ESEA Title IV, A	ESEA Title I, A	IDEA	IDEA	IDEA	National School	Career and	ESEA Title II, A
	Safe and Drug	Improving	Part B	Part B	Part B	Breakfast and Lunch	Technical –	Training and Principal
	Free Schools	Basic Programs	Formula	Preschool	Discretionary	Program	Basic Grant	Training and Recruiting
REVENUES								
Local and intermediate sources	\$ -	-	-	-	-	1,575,616	-	-
State program revenues	-	-	-	-	-	6,218	-	-
Federal program revenues	1,832	223,095	583,507	7,424	26,642	345,374	28,997	174,016
Total revenues	<u>1,832</u>	<u>223,095</u>	<u>583,507</u>	<u>7,424</u>	<u>26,642</u>	<u>1,927,208</u>	<u>28,997</u>	<u>174,016</u>
EXPENDITURES								
Current:								
Instruction	1,832	217,154	270,059	7,277	26,642	-	19,835	121,891
Instructional resources and media services	-	-	-	-	-	-	-	-
Curriculum and staff development	-	1,531	21,927	-	-	-	-	50,283
Instructional leadership	-	4,410	-	-	-	-	1,162	1,842
School leadership	-	-	-	-	-	-	-	-
Guidance, counseling, and evaluation services	-	-	287,217	147	-	-	8,000	-
Health services	-	-	4,204	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	1,812,068	-	-
Co-curricular/extracurricular activities	-	-	-	-	-	-	-	-
Plant maintenance and operations	-	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-	-
Community services	-	-	100	-	-	-	-	-
Total expenditures	<u>1,832</u>	<u>223,095</u>	<u>583,507</u>	<u>7,424</u>	<u>26,642</u>	<u>1,812,068</u>	<u>28,997</u>	<u>174,016</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,140</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-	-	115,140	-	-
Fund balance at beginning of year	-	-	-	-	-	186,522	-	-
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>301,662</u>	<u>-</u>	<u>-</u>

Dripping Springs Independent School District
 Combining Schedule – Statement of Revenues, Expenditures, and
 Changes in Fund Balance Information
 Nonmajor Governmental Funds (continued)
 Year Ended June 30, 2011

	263	266	283	285	288	289	392	397
	Title III, A	Title XIV	IDEA	ESEA Title I, A		Other Federal	Noneducational	Advanced
	English Lang.	ARRA State	ARRA – Part B	ARRA – Improving	SHARS	Special	Community-Based	Placement
	Acquisition	Stabilization	Formula	Basic Programs		Revenue Funds	Support	Initiatives
REVENUES								
Local and intermediate sources	\$ -	-	-	-	-	-	-	500
State program revenues	-	-	-	-	-	-	1,000	10,908
Federal program revenues	23,549	1,160,226	285,087	84,879	-	-	-	-
Total revenues	<u>23,549</u>	<u>1,160,226</u>	<u>285,087</u>	<u>84,879</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>11,408</u>
EXPENDITURES								
Current:								
Instruction	12,129	1,160,226	216,856	84,879	-	-	-	12,728
Instructional resources and media services	-	-	-	-	-	-	-	-
Curriculum and staff development	300	-	61,586	-	-	-	-	3,186
Instructional leadership	390	-	140	-	-	-	-	-
School leadership	-	-	70	-	-	-	-	-
Guidance, counseling, and evaluation services	730	-	6,435	-	-	-	-	-
Health services	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-
Co-curricular/extracurricular activities	-	-	-	-	-	-	-	920
Plant maintenance and operations	-	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-	-
Community services	10,000	-	-	-	-	-	-	-
Total expenditures	<u>23,549</u>	<u>1,160,226</u>	<u>285,087</u>	<u>84,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,834</u>
Excess (deficiency) of revenues over expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>(5,426)</u>
Net change in fund balances	-	-	-	-	-	-	1,000	(5,426)
Fund balance at beginning of year	-	-	-	-	-	-	-	30,713
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>25,287</u>

Dripping Springs Independent School District
 Combining Schedule – Statement of Revenues, Expenditures, and
 Changes in Fund Balance Information
 Nonmajor Governmental Funds (continued)
 Year Ended June 30, 2011

	404	411	461	481	482	483	499	Total
	Student	Technology	Campus	San Marcos	Memorabilia	Education	Other Local	Nonmajor
	Success	Allotment	Activity	Civic	Fund	Foundation	Special	Governmental
	Initiative		Funds	Foundation		Grant	Revenue Funds	Funds
REVENUES								
Local and intermediate sources	\$ -	-	629,224	1,870	-	8,885	2,000	\$ 2,218,095
State program revenues	6,122	125,270	42	-	-	-	-	149,560
Federal program revenues	-	-	-	-	-	-	-	2,944,628
Total revenues	<u>6,122</u>	<u>125,270</u>	<u>629,266</u>	<u>1,870</u>	<u>-</u>	<u>8,885</u>	<u>2,000</u>	<u>5,312,283</u>
EXPENDITURES								
Current:								
Instruction	6,122	115,317	229,134	-	-	7,972	-	2,510,053
Instructional resources and media services	-	-	71,051	-	-	688	-	71,739
Curriculum and staff development	-	9,953	4,206	4,801	-	225	-	157,998
Instructional leadership	-	-	-	-	-	-	-	7,944
School leadership	-	-	30,018	-	-	-	-	30,088
Guidance, counseling, and evaluation services	-	-	8,789	-	-	-	-	311,318
Health services	-	-	1,079	-	-	-	-	5,283
Student transportation	-	-	-	-	-	-	2,000	2,000
Food service	-	-	-	-	-	-	-	1,812,068
Co-curricular/extracurricular activities	-	-	281,700	-	-	-	-	282,620
Plant maintenance and operations	-	-	257	-	-	-	689	946
Security and monitoring services	-	-	500	-	-	-	-	500
Community services	-	-	-	-	-	-	-	10,100
Total expenditures	<u>6,122</u>	<u>125,270</u>	<u>626,734</u>	<u>4,801</u>	<u>-</u>	<u>8,885</u>	<u>2,689</u>	<u>5,202,657</u>
Excess (deficiency) of revenues over expenditure:	<u>-</u>	<u>-</u>	<u>2,532</u>	<u>(2,931)</u>	<u>-</u>	<u>-</u>	<u>(689)</u>	<u>109,626</u>
Net change in fund balances	-	-	2,532	(2,931)	-	-	(689)	109,626
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>403,584</u>	<u>2,931</u>	<u>135</u>	<u>-</u>	<u>4,922</u>	<u>628,807</u>
Fund balance at end of year	<u>\$ -</u>	<u>-</u>	<u>406,116</u>	<u>-</u>	<u>135</u>	<u>-</u>	<u>4,233</u>	<u>\$ 738,433</u>

Dripping Springs Independent School District
Combining Schedule – Statement of Net Assets Information
All Nonmajor Enterprise Funds
June 30, 2011

	711	712	748	
	<u>Day Care</u>	<u>Community Education</u>	<u>Building Lease</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalent:	\$ 17,073	\$ 700	\$ -	\$ 17,773
Due from other funds	<u>6,938</u>	<u>530,648</u>	<u>-</u>	<u>537,586</u>
Total assets	<u>\$ 24,011</u>	<u>\$ 531,348</u>	<u>\$ -</u>	<u>\$ 555,359</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 69	\$ 17,835	\$ -	\$ 17,904
Payroll deductions and withholdings payable	1,683	2,916	-	4,599
Accrued wages payable	22,259	68,946	-	91,205
Deferred revenue	<u>-</u>	<u>115,419</u>	<u>-</u>	<u>115,419</u>
Total liabilities	<u>\$ 24,011</u>	<u>\$ 205,116</u>	<u>\$ -</u>	<u>\$ 229,127</u>
NET ASSETS				
Unrestricted net assets	<u>\$ -</u>	<u>\$ 326,232</u>	<u>\$ -</u>	<u>\$ 326,232</u>
Total net assets	<u>\$ -</u>	<u>\$ 326,232</u>	<u>\$ -</u>	<u>\$ 326,232</u>

Dripping Springs Independent School District
Combining Schedule – Statement of Revenues, Expenses, and
Changes in Fund Net Assets Information – All Nonmajor Enterprise Funds
Year Ended June 30, 2011

	711	712	748	
	Day Care	Community Education	Building Lease	Total
OPERATING REVENUES				
Local and intermediate sources	\$ 190,911	\$ 817,137	\$ -	\$ 1,008,048
State program revenues	12,695	29,884	-	42,579
Total operating revenues	<u>203,606</u>	<u>847,021</u>	<u>-</u>	<u>1,050,627</u>
OPERATING EXPENSES				
Payroll costs	190,180	621,865	-	812,045
Professional and contracted services	840	153,905	-	154,745
Supplies and materials	4,213	77,349	-	81,562
Other operating	285	11,395	-	11,680
Total operating expenses	<u>195,518</u>	<u>864,514</u>	<u>-</u>	<u>1,060,032</u>
Income (loss) before transfers	8,088	(17,493)	-	(9,405)
TRANSFERS				
Transfers in	-	61,250	-	61,250
Transfers out	(8,442)	(146,120)	(180,946)	(335,508)
Change in net assets	(354)	(102,363)	(180,946)	(283,663)
Total net assets at beginning of year	<u>354</u>	<u>428,595</u>	<u>180,946</u>	<u>609,895</u>
Total net assets at end of year	<u>\$ -</u>	<u>\$ 326,232</u>	<u>\$ -</u>	<u>\$ 326,232</u>

Dripping Springs Independent School District
Combining Schedule – Statement of Cash Flows Information – All Nonmajor Enterprise Funds
Year Ended June 30, 2011

	<u>711</u>	<u>712</u>	<u>748</u>	
	<u>Day Care</u>	<u>Community Education</u>	<u>Building Lease</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/contributors	\$ 196,753	\$ 360,429	\$ -	\$ 557,182
Payments to suppliers	(5,311)	(245,937)	-	(251,248)
Payments to employees	<u>(189,592)</u>	<u>(605,763)</u>	<u>-</u>	<u>(795,355)</u>
Net cash provided by (used in) operating activities	<u>1,850</u>	<u>(491,271)</u>	<u>-</u>	<u>(489,421)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other fund	-	61,250	-	61,250
Transfers to other fund	<u>(8,442)</u>	<u>(146,120)</u>	<u>(180,946)</u>	<u>(335,508)</u>
Net cash used in noncapital financing activities	<u>(8,442)</u>	<u>(84,870)</u>	<u>(180,946)</u>	<u>(274,258)</u>
Net decrease in cash and cash equivalents	(6,592)	(576,141)	(180,946)	(763,679)
Cash and cash equivalents at beginning of year	<u>23,665</u>	<u>576,841</u>	<u>180,946</u>	<u>781,452</u>
Cash and cash equivalents at end of year	<u>\$ 17,073</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 17,773</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 8,088	\$ (17,493)	\$ -	\$ (9,405)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Decrease in receivables	85	-	-	85
Increase in due from other funds	(6,938)	(530,648)	-	(537,586)
Increase (decrease) in accounts payable	27	(3,288)	-	(3,261)
Increase in payroll deductions and withholdings payable	10	388	-	398
Increase in accrued wages payable	578	15,714	-	16,292
Increase in deferred revenue	<u>-</u>	<u>44,056</u>	<u>-</u>	<u>44,056</u>
Net cash provided by (used in) operating activities	<u>\$ 1,850</u>	<u>\$ (491,271)</u>	<u>\$ -</u>	<u>\$ (489,421)</u>

Dripping Springs Independent School District
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2011

Last Ten Years Ended June 30	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance July 1, 2010	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance June 30, 2011
	Maintenance	Debt Service							
2002 and earlier	\$ 1.3482	\$ 0.2617	\$ 1,056,852,887	\$ 54,913	\$ -	\$ -	\$ -	\$ (26,872)	\$ 28,041
2003	1.4392	0.3081	1,221,327,595	13,595	-	8	2	-	13,585
2004	1.4500	0.3054	1,326,290,666	17,487	-	1,063	224	-	16,200
2005	1.4830	0.2635	1,444,776,831	20,119	-	1,437	255	-	18,427
2006	1.5000	0.3260	1,539,205,516	39,844	-	3,150	684	(1,498)	34,512
2007	1.3699	0.3102	1,747,299,219	36,053	-	3,136	710	363	32,570
2008	1.0400	0.3753	2,058,181,008	322,266	-	7,675	2,760	2	311,833
2009	1.0400	0.4500	2,365,445,495	11,923	-	81,842	35,412	21,424	(83,907)
2010	1.0400	0.4500	2,705,146,498	743,275	-	496,667	214,740	(16,252)	15,616
2011	1.0400	0.4500	2,689,502,236	-	37,228,547	25,590,798	11,042,206	174,811	770,354
Totals				\$ 1,259,475	\$ 37,228,547	\$ 26,185,776	\$ 11,296,993	\$ 151,978	\$ 1,157,231

Dripping Springs Independent School District
 Schedule of Expenditures for Computation of Indirect Cost
 for General and Special Revenue Funds
 Year Ended June 30, 2011

FUNCTION 41 AND RELATED FUNCTIONS 53 AND 99 – GENERAL ADMINISTRATION

Account Number	Account Name	702 1 School Board	703 2 Tax Collection	701 3 Supt's Office	750 4 Indirect Cost	720 5 Direct Cost	Other 6 Miscellaneous	7 Total
611x-6146	Payroll costs	\$ 7,657	\$ -	\$ 219,411	\$ 918,018	\$ -	\$ -	\$ 1,145,086
6149	Fringe benefits (unused leave for separating employees in function 41 and related 53)	-	-	-	-	-	-	-
6149	Fringe benefits (unused leave for separating employees in all functions except function 41 and related 53)	-	-	-	-	-	-	-
6211	Legal services	-	-	57,452	-	-	-	57,452
6212	Audit services	-	-	-	37,842	-	-	37,842
6213	Tax appraisal and collection	-	386,149	-	-	-	-	386,149
621x	Other professional services	-	-	-	4,035	-	-	4,035
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	500	-	-	1,500	-	-	2,000
6240	Contr. maintenance and repairs	-	-	480	2,710	-	-	3,190
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	632	7,163	-	-	7,795
6290	Miscellaneous contracted services	26,484	-	117	44,386	-	-	70,987
6320	Textbooks and reading	-	-	442	380	-	-	822
6330	Testing materials	-	-	-	-	-	-	-
63xx	Other supplies, materials	150	-	4,805	37,290	-	-	42,245
6410	Travel, subsistence, stipends	14,761	-	3,896	4,637	-	-	23,294
6420	Insurance and bonding costs	17,024	300	-	-	-	-	17,324
6430	Election costs	3,528	-	-	-	-	-	3,528
6490	Miscellaneous operating	9,426	-	5,257	7,174	-	-	21,857
6500	Debt service	-	-	-	-	-	-	-
6600	Capital outlay	-	-	-	-	-	-	-
6000	Total	\$ 79,530	\$ 386,449	\$ 292,492	\$ 1,065,135	\$ -	\$ -	\$ 1,823,606

Total expenditures/expenses for General and Special Revenue Funds (9) 42,018,846

Less Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 733,850
Total Debt and Lease (6500)	(11) 399,975
Plant Maintenance (Function 51, 6100-6400)	(12) 5,155,295
Food (Function 35, 6341 and 6499)	(13) 750,057
Stipends (6413)	(14) -
Total Indirect Cost	1,065,135
Subtotal	8,104,312
Net Allowed Direct Cost	\$ 33,914,534

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 70,432,604
Historical Cost of Buildings over 50 Years Old	(16) \$ 317,825
Amount of Federal Money in Building Cost (Net of Above)	(17) \$ 932
Total Cost of Furniture and Equipment before Depreciation (1530 & 1540)	(18) \$ 11,021,062
Historical Cost of Furniture and Equipment Over 16 Years Old	(19) \$ 2,419,190
Amount of Federal Money in Furniture and Equipment (Net of Above)	(20) \$ 356,872

(8) Note A – No Function 53 expenditures are included and \$382,154 in Function 99 expenditures are included in this report on administrative costs.

Note B – This schedule is included to satisfy Texas Education Agency reporting requirements.

Dripping Springs Independent School District
Fund Balance and Cash Flow Calculation Worksheet
 General Fund as of June 30, 2011

1. Total General Fund Balance as of June 30, 2011	\$ 18,663,845
2. Total Nonspendable Fund Balance	\$ 278,075
3. Total Assigned Fund Balance	1,575,000
4. Total reserve for encumbrances (unaudited)	475,714
5. Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues) (unaudited)	7,213,309
6. Estimate of two and a half month's average cash disbursements during the fiscal year (unaudited)	7,443,445
7. Estimate of delayed payments from state sources (58xx) (unaudited)	-
8. Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate ("LPE") and District Planning Estimate ("DPE") or District's calculated earned state aid amount (unaudite	-
9. Estimate of delayed payments from federal sources (59xx) (unaudited)	327,857
10. Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds) (unaudited)	-
11. Adjustment to meet Board policy	<u>-</u>
12. Optimum Fund balance and cash flow (unaudited)	<u>17,313,400</u>
13. Excess (deficit) Undesignated Unassigned General Fund fund balance (Line 1 minus Line 12) (unaudited)	<u>\$ 1,350,445</u>

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Bala

The District expects to maintain three months of operating expenditures, plus an additional contingency, to address any unforeseen financial circumstances that may arise. This includes, but is not limited to, the completion of the 2008 Bond Program. Additionally, the District foresees the potential future revenue shortfalls as a result of the school finance legislation.

Dripping Springs Independent School District
 Budgetary Comparison Schedule –
 Child Nutrition Fund
 Year Ended June 30, 2011

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>	
	<u>Original</u>	<u>Final</u>			
REVENUES					
5700	Local and intermediate sources	\$ 1,645,668	\$ 1,645,668	\$ 1,575,616	\$ (70,052)
5800	State program revenues	6,750	6,750	6,218	(532)
5900	Federal program revenues	<u>267,022</u>	<u>267,022</u>	<u>345,374</u>	<u>78,352</u>
5020	Total revenues	<u>1,919,440</u>	<u>1,919,440</u>	<u>1,927,208</u>	<u>7,768</u>
EXPENDITURES					
Current:					
0035	Food service	1,834,334	1,847,324	1,812,068	35,256
0051	Plant maintenance and operations	<u>85,106</u>	<u>85,106</u>	<u>-</u>	<u>85,106</u>
6030	Total expenditures	<u>1,919,440</u>	<u>1,932,430</u>	<u>1,812,068</u>	<u>120,362</u>
1200	Net change in fund balance	-	(12,990)	115,140	128,130
0100	Fund balance at beginning of year	<u>186,522</u>	<u>186,522</u>	<u>186,522</u>	-
3000	Fund balance at end of year	<u>\$ 186,522</u>	<u>\$ 173,532</u>	<u>\$ 301,662</u>	<u>\$ 128,130</u>

Dripping Springs Independent School District
 Budgetary Comparison Schedule –
 Debt Service Fund
 Year Ended June 30, 2011

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>	
	<u>Original</u>	<u>Final</u>			
REVENUES					
5700	Local and intermediate sources	\$ 11,053,826	\$ 11,053,826	\$ 11,409,733	\$ 355,907
5020	Total revenues	<u>11,053,826</u>	<u>11,053,826</u>	<u>11,409,733</u>	<u>355,907</u>
EXPENDITURES					
0071	Principal on long-term debt	3,165,000	3,165,000	3,165,000	-
0072	Interest on long-term debt	6,739,603	6,739,603	6,590,504	149,099
0073	Other debt service	<u>20,000</u>	<u>20,000</u>	<u>9,100</u>	<u>10,900</u>
6030	Total expenditures	<u>9,924,603</u>	<u>9,924,603</u>	<u>9,764,604</u>	<u>159,999</u>
1200	Net change in fund balance	1,129,223	1,129,223	1,645,129	515,906
0100	Fund balance at beginning of year	<u>9,817,286</u>	<u>9,817,286</u>	<u>9,817,286</u>	<u>-</u>
3000	Fund balance at end of year	<u><u>\$ 10,946,509</u></u>	<u><u>\$ 10,946,509</u></u>	<u><u>\$ 11,462,415</u></u>	<u><u>\$ 515,906</u></u>

Federal Awards Section

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Trustees
Dripping Springs Independent School District
Dripping Springs, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dripping Springs Independent School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2011. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and the Public Funds Investment Act, 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* or the Public Funds Investment Act.

We noted certain matters that we reported to management of the District in a separate letter dated November 7, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann & Co. LLP

Certified Public Accountants
November 7, 2011

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Board of Trustees
Dripping Springs Independent School District
Dripping Springs, Texas

Compliance

We have audited Dripping Springs Independent School District's (the "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, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Radgett, Stratmann & Co. LLP

Certified Public Accountants
November 7, 2011

Dripping Springs Independent School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Dripping Springs Independent School District

Schedule of Findings and Questioned Costs

(Continued)

Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)

FEDERAL AWARDS (CONTINUED)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Title I, Part A Cluster:
84.010A	ESEA Title I, Part A, Improving Basic Programs
84.389A	ESEA Title I, Part A, Improving Basic Programs, Recovery Act
	Special Education Cluster:
84.027A	IDEA - Part B, Special Education – Grants to States
84.173A	IDEA Preschool, Special Education – Preschool Grants
84.391A	Special Education Grants to States, Recovery Act
	Child Nutrition Cluster:
10.553	National School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
84.394A	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2011.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with Section 510(a) of OMB Circular A-133 for the year ended June 30, 2011.

Dripping Springs Independent School District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2011

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
None	-	No prior year findings

Dripping Springs Independent School District

Corrective Action Plan

Year Ended June 30, 2011

Program

Corrective Action Plan

None

No current year findings

Dripping Springs Independent School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures, Including Indirect Costs
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through Texas Education Agency:</u>			
ESEA Title I, Part A, Improving Basic Programs	84.010A	10610101105904	\$ 223,095
IDEA – Part B, Formula	84.027A	106600011059046600	583,507
IDEA – Part B, Discretionary	84.027A	11660006105904	26,642
Career and Technical – Basic Grant	84.048A	11420006105904	28,997
IDEA – Part B, Preschool	84.173A	106610011059046610	7,424
ESEA Title IV, Pt. A – Safe and Drug-Free Schools	84.186A	10691001105904	1,832
Title III, Part A – English Language Acquisition	84.365A	11671001105904	23,549
ESEA Title II, Part A – Teacher/Principal Training	84.367A	11694501105904	174,016
ESEA Title I, Part A – Improving Basic Programs – ARRA	84.389A	10551001105904	84,879
IDEA – Part B, Formula – ARRA	84.391A	10554001105904	285,087
Title XIV, State Fiscal Stabilization Fund – ARRA	84.394A	11557001105904	<u>1,160,226</u>
Total Passed Through Texas Education Agency			<u>2,599,254</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,599,254</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through the State Department of Agriculture:</u>			
National School Breakfast Program	10.553	71401101	46,388
National School Lunch Program – Cash Assistance	10.555	71301101	<u>298,985</u>
Total Passed Through the State Department of Agriculture			<u>345,373</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>345,373</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,944,627</u>

The accompanying notes form an integral part of this schedule.

Dripping Springs Independent School District

Note to the Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

General – The accompanying Schedule of Expenditures of Federal Awards presents all federal expenditures of the District.

Basis of Accounting – The expenditures on the accompanying Schedule of Expenditures of Federal Awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, National School Breakfast Program, and the USDA-Donated Foods Program. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, National School Breakfast Program, and the USDA-Donated Foods Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

Relationship to Basic Financial Statements – Expenditures of federal awards are reported in the District's basic financial statements in the Special Revenue Funds.

Relationship to Federal Financial Reports – Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Noncash Programs – The District values revenues and expenditures for the USDA-Donated Foods Program based on the value of commodities received.