

**Dripping Springs
Independent School District**

Annual Financial Report

Year Ended June 30, 2012

Dripping Springs Independent School District

Annual Financial Report

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CERTIFICATE OF BOARD

Dripping Springs Independent School District
Name of School District

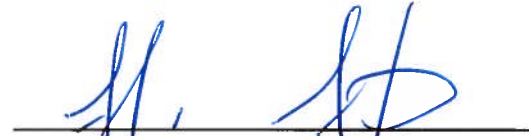
Hays
County

105904
County District Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one) approved ___ disapproved for the year ended June 30, 2012, at a meeting of the Board of Trustees of such school district on the 26th day of November, 2012.



Signature of Board Secretary



Signature of Board President

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

Financial Section

Independent Auditors' Report

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, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, 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.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund on pages 3 through 14 and page 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Padgett, Stratemann + Co., LLP

Certified Public Accountants
November 6, 2012

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

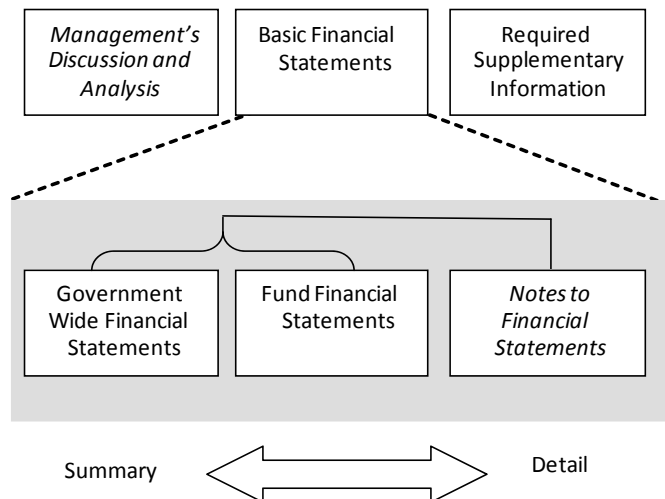
This section of the Dripping Springs Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the 12-month period ended June 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$45,860,828 (*net assets*). Of this amount, \$18,303,631 (*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 \$29,968,655. Approximately 54% of this total amount, \$16,311,543, 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.
- In February 2012, the District issued \$3,230,000 of Unlimited Tax Refunding Bonds, Series 2012, in order to retire the outstanding Limited Maintenance Tax Notes, Series 2002.
- In March 2012, the District issued \$8,805,000 of Unlimited Tax Refunding Bonds, Series 2012A, in order to retire the outstanding Unlimited Tax Refunding Bonds, Series 2005.

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.



Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

Government-Wide Financial Statements

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

The *statement of net 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 12-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 and community education.

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 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.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 and debt service fund, which are considered to be major funds. Data from the other 24 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 17 and 19.

Compliance with the District's annual general fund operating budget for the 12 months ended June 30, 2012, 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 and community education.

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, 2012

(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 26-47 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 49-63 of this report. The required TEA schedules are included on pages 64-68 of this report.

Financial Analysis of the District as a Whole

Net Assets

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 \$45,860,828 at the close of the most recent 12-month period.

By far, the largest portion of the District's net assets, \$16,497,735 (36%), 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, \$11,059,462 (24%), represents resources restricted for various purposes. The remaining balance of *unrestricted net assets*, \$18,303,631, represents 40% 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, 2012

(Continued)

The District's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 38,974,526	\$ 42,705,788	\$ 6,215	\$ 17,773	\$ 38,980,741	\$ 42,723,561
Capital assets	149,941,565	151,047,283	-	-	149,941,565	151,047,283
Total assets	<u>188,916,091</u>	<u>193,753,071</u>	<u>6,215</u>	<u>17,773</u>	<u>188,922,306</u>	<u>193,770,844</u>
Current liabilities	8,881,787	7,842,004	(421,952)	(308,459)	8,459,835	7,533,545
Long-term liabilities	134,601,643	141,064,014	-	-	134,601,643	141,064,014
Total liabilities	<u>143,483,430</u>	<u>148,906,018</u>	<u>(421,952)</u>	<u>(308,459)</u>	<u>143,061,478</u>	<u>148,597,559</u>
Net assets						
Invested in capital assets – net of related debt	16,497,735	14,065,769	-	-	16,497,735	14,065,769
Restricted	11,059,462	15,958,776	-	-	11,059,462	15,958,776
Unrestricted	<u>17,875,464</u>	<u>14,822,508</u>	<u>428,167</u>	<u>326,232</u>	<u>18,303,631</u>	<u>15,148,740</u>
Total net assets	<u>\$ 45,432,661</u>	<u>\$ 44,847,053</u>	<u>\$ 428,167</u>	<u>\$ 326,232</u>	<u>\$ 45,860,828</u>	<u>\$ 45,173,285</u>

Governmental and Business-Type Activities

Governmental activities increased the District's net assets by \$585,608, while business-type activities resulted in an increase of \$101,935.

The District's total revenues were \$52,301,266. A significant portion (74%) of the District's revenue comes from property taxes.

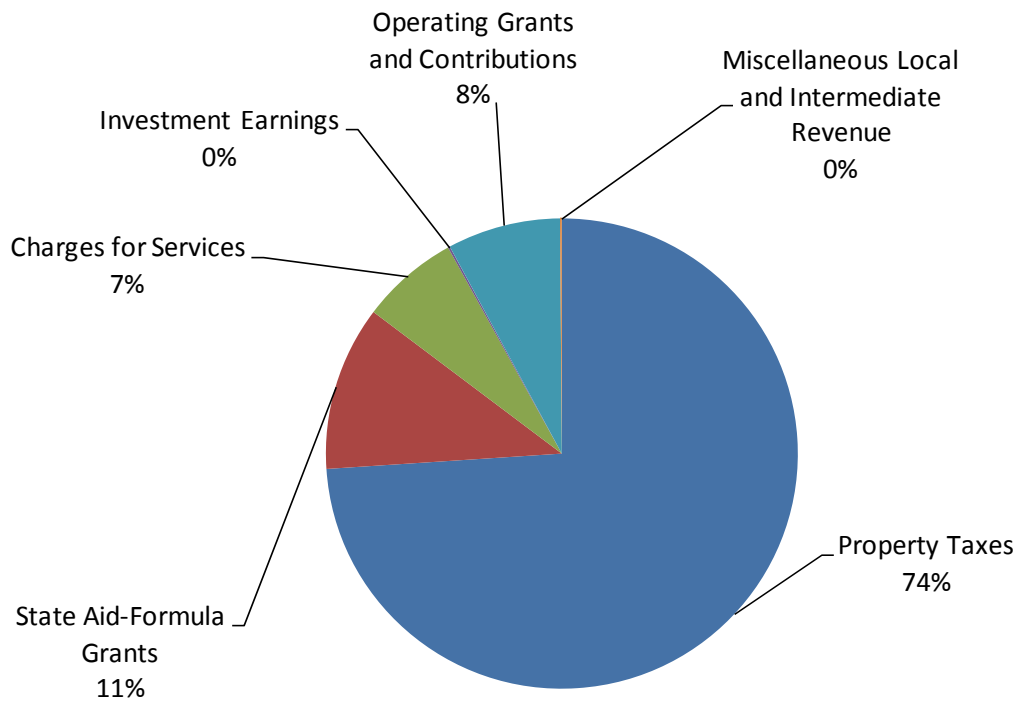
Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

The District's Revenue By Source



Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

Changes in the District's net assets are shown below.

Changes in the District's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 2,340,419	\$ 2,086,818	\$ 1,168,597	\$ 1,008,048	\$ 3,509,016	\$ 3,094,866
Operating grants and contributions	4,021,449	5,317,079	44,119	42,579	4,065,568	5,359,658
General revenues:						
Property tax revenues	38,683,334	37,813,799	-	-	38,683,334	37,813,799
State aid-formula grants	5,908,641	6,049,212	-	-	5,908,641	6,049,212
Investment earnings	69,845	122,527	-	-	69,845	122,527
Miscellaneous local and intermediate revenue	64,862	51,161	-	-	64,862	51,161
Transfers	(30,971)	274,258	30,971	(274,258)	-	-
Total revenues	51,057,579	51,714,854	1,243,687	776,369	52,301,266	52,491,223
EXPENSES						
Instruction	21,466,408	21,940,213	-	-	21,466,408	21,940,213
Instructional resources and media services	551,562	617,991	-	-	551,562	617,991
Curriculum and staff development	504,975	910,007	-	-	504,975	910,007
Instructional leadership	426,718	465,984	-	-	426,718	465,984
School leadership	2,009,302	2,078,487	-	-	2,009,302	2,078,487
Guidance, counseling, and evaluation	1,171,791	1,153,686	-	-	1,171,791	1,153,686
Health services	338,781	334,551	-	-	338,781	334,551
Student transportation	1,682,079	1,993,935	-	-	1,682,079	1,993,935
Food service	2,032,293	1,919,583	-	-	2,032,293	1,919,583
Co-curricular/extracurricular activities	1,736,501	1,505,870	-	-	1,736,501	1,505,870
General administration	1,753,766	1,543,662	-	-	1,753,766	1,543,662
Plant maintenance and operations	5,906,105	5,917,418	-	-	5,906,105	5,917,418
Security and monitoring services	23,703	110,952	-	-	23,703	110,952
Data processing services	704,517	886,130	-	-	704,517	886,130
Community services	1,493	15,702	-	-	1,493	15,702
Interest on long-term debt	7,503,185	6,744,475	-	-	7,503,185	6,744,475
Bond issuance cost and fees	148,397	84,275	-	-	148,397	84,275
Capital outlay	87,744	1,450,633	-	-	87,744	1,450,633
Contracted instructional services						
between schools	2,034,578	1,383,735	-	-	2,034,578	1,383,735
Other intergovernmental charges	388,073	382,154	-	-	388,073	382,154
Business type activities	-	-	1,141,752	1,060,032	1,141,752	1,060,032
Total expenses	50,471,971	51,439,443	1,141,752	1,060,032	51,613,723	52,499,475
Change in net assets	\$ 585,608	\$ 275,411	\$ 101,935	\$ (283,663)	\$ 687,543	\$ (8,252)

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

Financial Analysis of the District'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, *unreserved 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 \$29,968,655. Approximately 54% of this total amount, \$16,311,543, 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 \$18,477,126. Of this amount, \$1,908,687 is assigned for various projects, and \$256,896 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 53% of total fund expenditures. The fund balance decreased by \$186,719 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 \$9,284,027, all of which is restricted for repayment of debt.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

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 \$1,157,813, all of which was restricted for subsequent years' expenditures.

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 2011-2012 operating results resulted in expenditures \$701,445 below final budget amounts. The most significant positive variances resulted from instruction, student transportation, and plant maintenance and operations. These positive variances were offset by significant negative variances in cocurricular, general administration, capital outlay, and contracted instructional services. The variance in cocurricular results from donations that are received throughout the year, which increase revenue and expenditures equally, and are not budgeted for. The variance in general administration was due primarily to unanticipated and unbudgeted legal fees. The variance in capital outlay resulted from late year expenditures on a roofing project and a wastewater project at Dripping Springs Elementary. The variance in contracted instructional services is a result of the fact that TEA does not adjust the near final payment due from property wealth schools until well after June 30, and the District does not make budget adjustments after the end of the fiscal year. A positive variance resulted from additional local tax revenue due to increases in the 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, 2012, amounted to \$149,941,565 – net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

Major capital asset events during the current 12-month period included \$2,751,145 in construction in process related to school renovation and expansion.

	Governmental Activities	
	2012	2011
Land	\$ 7,101,004	\$ 6,935,468
Buildings and improvements	139,202,073	50,634,721
Furniture and equipment	3,599,419	4,353,695
Construction in progress	39,069	89,123,399
 Total – net of depreciation	 \$ 149,941,565	 \$ 151,047,283

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

Long-Term Debt

In February 2012, the District sold bonds authorized by the voters for \$3,230,000 to retire the Series 2002 tax notes. In March 2012, the District sold bonds authorized by the voters for \$8,805,000 to retire the Series 2005 bonds. At the end of the current fiscal year, the District had total long-term debt outstanding of \$134,601,643. 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	
	2012	2011
General obligation bonds and tax notes	\$ 132,580,058	\$ 140,269,786
Premiums, discounts, and deferred charges	2,021,585	929,017
	\$ 134,601,643	\$ 141,198,803

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

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(Continued)

Economic Factors and Next Year's Budget and Rates

Appraised values for the 2012-2013 budget preparation increased \$8,311,596, or 0.36% 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 2011-2012 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 \$33,234,900 and \$34,402,360, respectively, in the 2012-2013 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 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 of the educational programs.
- Long-Range Planning – To prepare for future expansion and development to ensuring 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 \$1.0400 and Interest and Sinking tax rate of \$0.4500 for a combined proposed 2012-2013 tax rate of \$1.4900.

Dripping Springs Independent School District

Management's Discussion and Analysis

June 30, 2012

(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.

Basic Financial Statements

Dripping Springs Independent School District

Exhibit A-1 Statement of Net Assets

June 30, 2012

<u>Data Control Codes</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS				
1110	Cash, cash equivalents, and temporary investments	\$ 34,655,363	\$ 200	\$ 34,655,563
1220	Property taxes – delinquent	1,084,992	-	1,084,992
1230	Allowance for uncollectible taxes	(21,700)	-	(21,700)
1240	Due from other governments	1,588,156	-	1,588,156
1267	Due from fiduciary funds	167	-	167
1290	Other receivables	24,479	6,015	30,494
1300	Inventories – at cost	281,054	-	281,054
1410	Deferred expenditures	17,098	-	17,098
1420	Capital bond and other debt issuance costs	1,344,917	-	1,344,917
	Capital assets – net of accumulated depreciation:			
1510	Land	7,101,004	-	7,101,004
1520	Buildings and improvements	139,202,073	-	139,202,073
1530	Furniture and equipment	3,599,419	-	3,599,419
1580	Construction in progress	39,069	-	39,069
1000	Total assets	<u>\$ 188,916,091</u>	<u>\$ 6,215</u>	<u>\$ 188,922,306</u>
LIABILITIES				
Current liabilities:				
2110	Accounts payable	\$ 631,362	\$ 14,538	\$ 645,900
2140	Bond interest payable	2,284,125	-	2,284,125
2150	Payroll deductions and withholdings payable	193,883	3,251	197,134
2160	Accrued wages payable	3,111,229	108,495	3,219,724
2170	Due to other funds	691,937	(691,937)	-
2180	Due to other governments	738,386	-	738,386
2300	Deferred revenue	1,230,865	143,701	1,374,566
Noncurrent liabilities:				
2501	Due within one year	4,525,000	-	4,525,000
2502	Due in more than one year	130,076,643	-	130,076,643
2000	Total liabilities	<u>143,483,430</u>	<u>(421,952)</u>	<u>143,061,478</u>
NET ASSETS				
3200	Invested in capital assets – net of related debt	16,497,735	-	16,497,735
3800	Restricted	11,059,462	-	11,059,462
3900	Unrestricted	17,875,464	428,167	18,303,631
3000	Total net assets	<u>\$ 45,432,661</u>	<u>\$ 428,167</u>	<u>\$ 45,860,828</u>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit B-1 Statement of Activities

Year Ended June 30, 2012

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	\$ 21,466,408	\$ 222,756	\$ 2,272,623	\$ (18,971,029)	\$ -	\$ (18,971,029)
12	Instructional resources and media services	551,562	-	84,542	(467,020)	-	(467,020)
13	Curriculum and staff development	504,975	-	45,804	(459,171)	-	(459,171)
21	Instructional leadership	426,718	-	27,820	(398,898)	-	(398,898)
23	School leadership	2,009,302	-	104,403	(1,904,899)	-	(1,904,899)
31	Guidance, counseling, and evaluation services	1,171,791	-	331,048	(840,743)	-	(840,743)
33	Health services	338,781	-	15,606	(323,175)	-	(323,175)
34	Student transportation	1,682,079	-	66,048	(1,616,031)	-	(1,616,031)
35	Food service	2,032,293	1,750,797	386,086	104,590	-	104,590
36	Co-curricular/extracurricular activities	1,736,501	277,814	416,372	(1,042,315)	-	(1,042,315)
41	General administration	1,753,766	27,607	51,794	(1,674,365)	-	(1,674,365)
51	Plant maintenance and operations	5,906,105	61,445	151,889	(5,692,771)	-	(5,692,771)
52	Security and monitoring services	23,703	-	200	(23,503)	-	(23,503)
53	Data processing services	704,517	-	21,946	(682,571)	-	(682,571)
61	Community services	1,493	-	45,268	43,775	-	43,775
72	Interest on long-term debt	7,503,185	-	-	(7,503,185)	-	(7,503,185)
73	Bond issuance costs and fees	148,397	-	-	(148,397)	-	(148,397)
81	Capital outlay	87,744	-	-	(87,744)	-	(87,744)
91	Contracted instructional services between schools	2,034,578	-	-	(2,034,578)	-	(2,034,578)
99	Other intergovernmental charges	388,073	-	-	(388,073)	-	(388,073)
100	Total governmental activities	\$ 50,471,971	\$ 2,340,419	\$ 4,021,449	(44,110,103)	-	(44,110,103)
Business-type activities:							
01	Day care	\$ 150,923	\$ 133,477	\$ 9,011	-	(8,435)	(8,435)
02	Community education	990,829	1,035,120	35,108	-	79,399	79,399
100	Total business-type activities	\$ 1,141,752	\$ 1,168,597	\$ 44,119	-	70,964	70,964
General revenues:							
MT	Property taxes – levied for general purposes				27,014,660	-	27,014,660
DT	Property taxes – levied for debt service				11,668,674	-	11,668,674
SF	State aid-formula grants				5,908,641	-	5,908,641
IE	Investment earnings				69,845	-	69,845
MI	Miscellaneous local and intermediate revenue				64,862	-	64,862
FR	Transfers				(30,971)	30,971	-
100	Total general revenues and transfers				44,695,711	30,971	44,726,682
CN	Change in net assets				585,608	101,935	687,543
NB	Net assets at beginning of year				44,847,053	326,232	45,173,285
NE	Net assets at end of year				<u>\$ 45,432,661</u>	<u>\$ 428,167</u>	<u>\$ 45,860,828</u>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit C-1 Balance Sheet – Governmental Funds

June 30, 2012

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,764,747	\$ 622	\$ 298,074	\$ 5,063,443
Temporary investments	18,447,850	9,283,405	1,860,665	29,591,920
Property taxes – delinquent	772,556	312,436	-	1,084,992
Allowance for uncollectible taxes	(15,451)	(6,249)	-	(21,700)
Due from other governments	1,350,816	-	237,340	1,588,156
Due from other funds	722,453	-	437,018	1,159,471
Other receivables	16,075	-	8,404	24,479
Inventories – at cost	256,896	-	24,158	281,054
Deferred expenditures	12,098	-	5,000	17,098
	<u>\$ 26,328,040</u>	<u>\$ 9,590,214</u>	<u>\$ 2,870,659</u>	<u>\$ 38,788,913</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 379,455	\$ -	\$ 251,907	\$ 631,362
Payroll deductions and withholdings payable	181,537	-	12,346	193,883
Accrued wages payable	2,901,194	-	210,035	3,111,229
Due to other funds	1,728,384	-	122,857	1,851,241
Due to other governments	738,386	-	-	738,386
Deferred revenue	1,921,958	306,187	66,012	2,294,157
	<u>7,850,914</u>	<u>306,187</u>	<u>663,157</u>	<u>8,820,258</u>
Fund balances:				
Nonspendable:				
Inventories	256,896	-	24,158	281,054
Restricted:				
Federal Funds Grant – Child Nutrition Program	-	-	617,622	617,622
Capital acquisition and contractual obligation	-	-	1,157,813	1,157,813
Retirement of long-term debt	-	9,284,027	-	9,284,027
Assigned:				
Other purposes	333,687	-	407,909	741,596
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
Unassigned	16,311,543	-	-	16,311,543
	<u>18,477,126</u>	<u>9,284,027</u>	<u>2,207,502</u>	<u>29,968,655</u>
Total liabilities and fund balances	<u>\$ 26,328,040</u>	<u>\$ 9,590,214</u>	<u>\$ 2,870,659</u>	<u>\$ 38,788,913</u>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit C-1R

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2012

Total fund balances – governmental fund balance sheet	\$ 29,968,655
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	149,941,565
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,063,292
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable – including premiums	(134,677,915)
Less deferred charge for issuance costs	1,344,917
Less deferred charge on refunding	201,330
Bond interest payable	(2,284,125)
Accretion of interest payable	<u>(125,058)</u>
Net assets of governmental activities	\$ <u><u>45,432,661</u></u>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit C-2

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2012

Data Control Codes		General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
5700	Local and intermediate sources	\$ 27,834,899	\$ 11,678,829	\$ 2,538,095	\$ 42,051,823
5800	State program revenues	7,139,723	-	333,521	7,473,244
5900	Federal program revenues	<u>2,672</u>	<u>-</u>	<u>1,444,726</u>	<u>1,447,398</u>
5020	Total revenues	<u>34,977,294</u>	<u>11,678,829</u>	<u>4,316,342</u>	<u>50,972,465</u>
EXPENDITURES					
Current:					
0011	Instruction	17,571,296	-	1,411,328	18,982,624
0012	Instructional resources and media services	442,432	-	62,024	504,456
0013	Curriculum and staff development	431,639	-	26,230	457,869
0021	Instructional leadership	371,070	-	8,542	379,612
0023	School leadership	1,778,988	-	14,063	1,793,051
0031	Guidance, counseling, and evaluation services	734,824	-	295,650	1,030,474
0033	Health services	289,949	-	1,726	291,675
0034	Student transportation	1,734,132	-	1,000	1,735,132
0035	Food service	-	-	1,796,765	1,796,765
0036	Co-curricular/extracurricular activities	1,199,916	-	382,379	1,582,295
0041	General administration	1,565,344	-	-	1,565,344
0051	Plant maintenance and operations	5,276,130	-	1,356	5,277,486
0052	Security and monitoring services	23,503	-	58,116	81,619
0053	Data processing services	610,306	-	-	610,306
0061	Community services	358	-	1,135	1,493
Debt service:					
0071	Principal on long-term debt	240,000	7,435,000	-	7,675,000
0072	Interest on long-term debt	242,959	6,370,463	-	6,613,422
0073	Other debt service	-	233,607	-	233,607
0081	Capital outlay	197,545	-	3,004,248	3,201,793
Intergovernmental:					
0091	Contracted instructional services between schools	2,034,578	-	-	2,034,578
0099	Other intergovernmental charges	<u>388,073</u>	<u>-</u>	<u>-</u>	<u>388,073</u>
6030	Total expenditures	<u>35,133,042</u>	<u>14,039,070</u>	<u>7,064,562</u>	<u>56,236,674</u>
1100	Deficiency of revenues over expenditures	<u>(155,748)</u>	<u>(2,360,241)</u>	<u>(2,748,220)</u>	<u>(5,264,209)</u>
OTHER FINANCING SOURCES (USES)					
7911	Refunding bonds issued	-	12,035,000	-	12,035,000
7915	Transfers in	35,129	-	-	35,129
7916	Premium on issuance of bonds	-	1,237,890	-	1,237,890
8911	Transfers out	(66,100)	-	-	(66,100)
8949	Payment to bond refunding escrow agent	<u>-</u>	<u>(13,091,037)</u>	<u>-</u>	<u>(13,091,037)</u>
7080	Total other financing sources (uses)	<u>(30,971)</u>	<u>181,853</u>	<u>-</u>	<u>150,882</u>
1200	Net change in fund balances	(186,719)	(2,178,388)	(2,748,220)	(5,113,327)
0100	Fund balances at beginning of year	<u>18,663,845</u>	<u>11,462,415</u>	<u>4,955,722</u>	<u>35,081,982</u>
3000	Fund balances at end of year	<u>\$ 18,477,126</u>	<u>\$ 9,284,027</u>	<u>\$ 2,207,502</u>	<u>\$ 29,968,655</u>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit C-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Year Ended June 30, 2012

Net change in fund balances – total Governmental Funds	\$ (5,113,327)
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	3,604,843
Depreciation expense	(4,710,561)
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	(70,794)
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	198,131
Repayment of bonds and notes principal	19,715,000
Bond proceeds – including premium	(13,272,890)
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	193,080
Change in accretion payable	9,728
Amortization of issuance costs	(112,924)
Amortization of deferred charge on refunding	(32,725)
Amortization of bond premiums/discount	178,047
Change in net assets of governmental activities	<u>\$ 585,608</u>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit D-1

Statement of Net Assets – Proprietary Funds

June 30, 2012

	Business-Type Activities – Nonmajor Enterprise Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 200
Due from other funds	691,937
Other receivables	6,015
	<hr/>
Total assets	\$ 698,152
	<hr/> <hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 14,538
Payroll deductions and withholdings payable	3,251
Accrued wages payable	108,495
Deferred revenue	143,701
	<hr/>
Total liabilities	269,985
	<hr/> <hr/>
NET ASSETS	
Unrestricted net assets	428,167
	<hr/>
Total net assets	\$ 428,167
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit D-2

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

Year Ended June 30, 2012

	Business-Type Activities – Nonmajor Enterprise Funds
OPERATING REVENUES	
Local and intermediate sources	\$ 1,168,597
State program revenues	44,119
Total operating revenues	<u>1,212,716</u>
OPERATING EXPENSES	
Payroll costs	829,346
Professional and contracted services	200,206
Supplies and materials	98,970
Other operating	13,230
Total operating expenses	<u>1,141,752</u>
Operating income before transfers	<u>70,964</u>
TRANSFERS	
Transfers in	66,100
Transfers out	(35,129)
Total net transfers	<u>30,971</u>
Change in net assets	101,935
Total net assets at beginning of year	<u>326,232</u>
Total net assets at end of year	<u>\$ 428,167</u>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit D-3

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2012

	Business-Type Activities – Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and contributors	\$ 1,080,632
Payments to suppliers	(315,772)
Payments to employees	(813,404)
	<hr/>
Net cash used in operating activities	(48,544)
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	66,100
Transfers to other funds	(35,129)
	<hr/>
Net cash provided by noncapital financing activities	30,971
	<hr/>
Net decrease in cash and cash equivalents	(17,573)
	<hr/>
Cash and cash equivalents at beginning of year	17,773
	<hr/>
Cash and cash equivalents at end of year	\$ 200
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income before transfers	\$ 70,964
Adjustments to reconcile operating income before transfers to net cash used in operating activities:	
Increase in receivables	(6,015)
Increase in due from other funds	(154,351)
Decrease in accounts payable	(3,366)
Decrease in payroll deductions and withholdings payable	(1,348)
Increase in accrued wages payable	17,290
Increase in deferred revenue	28,282
	<hr/>
Net cash used in operating activities	\$ (48,544)
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit E-1

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2012

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 3,000	\$ 19,225
Temporary investments	62,466	8,222
Total assets	<u>\$ 65,466</u>	<u>\$ 27,447</u>
LIABILITIES		
Due to other funds	\$ -	\$ 167
Due to student groups	-	27,280
Total liabilities	<u>-</u>	<u>\$ 27,447</u>
NET ASSETS		
Held in trust for private purposes	<u>\$ 65,466</u>	

The accompanying notes are an integral part of this statement.

Dripping Springs Independent School District

Exhibit E-2

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Year Ended June 30, 2012

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Donations	\$ 64
	<u>64</u>
DEDUCTIONS	
Scholarships	<u>2,500</u>
Change in net assets	(2,436)
Net assets held in trust for private purposes at beginning of year	<u>67,902</u>
Net assets held in trust for private purposes at end of year	<u>\$ 65,466</u>

The accompanying notes are 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 60 days of year end has been made, as these 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.

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 balances. The child nutrition fund is required to be budgeted.
- The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodeling 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.
- Enterprise Funds are proprietary funds used to account for the operations of the District's day care and community education 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)

The District reports 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 formal action by the District's Board and "intent" may be specified simply through the budgeting process that the resources from these funds are to be spent for specific purposes within the fund.
- Unassigned fund balances are those within the General Fund and represent fund balances that have 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 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 Child Nutrition Funds and Debt Service.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

Budgetary Information (continued)

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 \$333,687 for the General Fund, \$47,641 in the Special Revenue Funds, and \$27,015 in other nonmajor governmental funds.

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

- Cocurricular – donations are received throughout the year which increase revenues and expenditures equally and are not budgeted.
- General Administration – unanticipated and unbudgeted legal fees.
- Capital Outlay – late year expenditures on a roofing project and wastewater project at Dripping Springs Elementary.
- Contracted Instructional Services – TEA does not adjust the near final payment due from property wealthy schools until well after June 30, and the District does not make budget amendments after the end of the fiscal year.

Dripping Springs Independent School District

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies (continued)

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, bankers’ 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.

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.

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)

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, 2012 was \$0. The District paid no rebatable arbitrage during the year ended June 30, 2012. No recognition is made in governmental funds until rebatable amounts are actually due and payable to the federal government.

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.

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)

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
- 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

Dripping Springs Independent School District

Notes to Basic Financial Statements

2. Deposits and Investments (continued)

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, 2012, the carrying amount of the District's deposits was \$5,085,868, and the bank balance was \$5,263,270.

The District's deposits with financial institutions at June 30, 2012, and during the year ended June 30, 2012, 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 \$7,625,260.
- Largest cash, savings, and time deposit combined account balance amounted to \$6,017,895 and occurred during the month of May 2012.
- 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, 2012 consisted of the following:

<u>Type</u>	<u>Carrying and Fair Value</u>
Texas Local Government Investment Pool	\$ 22,144,031
TexasDAILY Local Government Investment Pool	<u>7,518,577</u>
	<u>\$ 29,662,608</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 the 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 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.

Dripping Springs Independent School District

Notes to Basic Financial Statements

2. Deposits and Investments (continued)

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, 2012, 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, 2012, 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, 2012, 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 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.

Dripping Springs Independent School District

Notes to Basic Financial Statements

3. Appraisal District and Property Taxes (continued)

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, 2011, upon which the October 2011 levy was based, was \$2,815,667,436. 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, 2012.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
State	\$ <u>1,350,816</u>	\$ <u>237,340</u>	\$ <u>1,588,156</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, 2012 is as follows:

	<u>Due From</u>	<u>Due To</u>
Major fund – general fund:		
Nonmajor	\$ -	\$ 314,161
Enterprise	-	691,937
General	722,286	722,286
Agency	167	-
Total general fund	722,453	1,728,384
Nonmajor funds:		
General	437,018	122,857
Total nonmajor funds	437,018	122,857
Proprietary fund:		
General	691,937	-
Total proprietary fund	691,937	-
Fiduciary fund:		
General	-	167
Total fiduciary fund	-	167
Total all funds	\$ 1,851,408	\$ 1,851,408

During the year, a nonmajor enterprise fund transferred \$35,129 to the General Fund to transfer revenue related to community education. During the year, the General Fund transferred \$66,100 to a nonmajor enterprise fund to fund community education.

Dripping Springs Independent School District

Notes to Basic Financial Statements

6. Deferred Revenue

At June 30, 2012, deferred revenue in governmental funds consisted of the following:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
Net tax revenue	\$ 757,105	\$ 306,187	\$ -	\$ 1,063,292
Federal and state grants	<u>1,164,853</u>	<u>-</u>	<u>66,012</u>	<u>1,230,865</u>
	<u><u>\$ 1,921,958</u></u>	<u><u>\$ 306,187</u></u>	<u><u>\$ 66,012</u></u>	<u><u>\$ 2,294,157</u></u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets – not being depreciated:				
Land	\$ 6,935,468	\$ 165,536	\$ -	\$ 7,101,004
Construction in progress	<u>89,123,399</u>	<u>2,751,145</u>	<u>(91,835,475)</u>	<u>39,069</u>
Total capital assets – not being depreciated	<u>96,058,867</u>	<u>2,916,681</u>	<u>(91,835,475)</u>	<u>7,140,073</u>
Capital assets – being depreciated:				
Buildings and improvements	70,432,604	311,782	91,835,475	162,579,861
Furniture and equipment	<u>11,021,062</u>	<u>376,380</u>	<u>-</u>	<u>11,397,442</u>
Total capital assets – being depreciated	<u>81,453,666</u>	<u>688,162</u>	<u>91,835,475</u>	<u>173,977,303</u>
Less accumulated depreciation for:				
Buildings and improvements	(19,797,883)	(3,579,905)	-	(23,377,788)
Furniture and equipment	<u>(6,667,367)</u>	<u>(1,130,656)</u>	<u>-</u>	<u>(7,798,023)</u>
Total accumulated depreciation	<u>(26,465,250)</u>	<u>(4,710,561)</u>	<u>-</u>	<u>(31,175,811)</u>
Total capital assets, being depreciated – net	<u>54,988,416</u>	<u>(4,022,399)</u>	<u>91,835,475</u>	<u>142,801,492</u>
Governmental activities capital assets – net	<u><u>\$ 151,047,283</u></u>	<u><u>\$ (1,105,718)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 149,941,565</u></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	\$ 2,477,647
Instructional resources and media services	65,842
Curriculum and staff development	59,762
Instructional leadership	49,548
School leadership	234,032
Guidance, counseling, and evaluation services	134,499
Health services	38,070
Student transportation	226,473
Food service	234,517
Co-curricular/extracurricular activities	206,524
General administration	204,311
Plant maintenance and operations	688,827
Security and monitoring services	10,656
Data processing services	79,658
Community services	<u>195</u>
	<u>\$ 4,710,561</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, 2012.

	<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								
Limited Maintenance Tax Notes, Series 2002	4.25%-5.25%	5,200,000	\$ 3,475,000	\$ -	\$ (3,235,000)	\$ (240,000)	\$ -	\$ -
Unlimited Tax Refunding Bonds, Series 2003	3.00%-4.25%	8,699,997	5,850,000	-	-	(725,000)	5,125,000	765,000
School Building Unlimited Tax Bonds, Series 2005	3.00%-5.00%	28,520,000	26,500,000	-	(8,805,000)	(780,000)	16,915,000	865,000
Unlimited Tax Refunding Bonds, Series 2007	4.00%-4.50%	4,764,999	4,754,786	(9,728)	-	-	4,745,058	-
Unlimited Tax School Building Bonds, Series 2008	3.00%-5.25%	96,170,000	89,310,000	-	-	(1,950,000)	87,360,000	2,040,000
Unlimited Tax Refunding Bonds, Series 2010	2.00%-4.00%	10,380,000	10,380,000	-	-	(750,000)	9,630,000	715,000
Unlimited Tax Refunding Bonds, Series 2012	0.35%	3,230,000	-	-	3,230,000	(3,230,000)	-	-
Unlimited Tax Refunding Bonds, Series 2012A	2.00%-3.00%	8,805,000	-	-	8,805,000	-	8,805,000	140,000
			<u>140,269,786</u>	<u>(9,728)</u>	<u>(5,000)</u>	<u>(7,675,000)</u>	<u>132,580,058</u>	<u>4,525,000</u>
Total bonds and notes payable								
Deferred charge on Series 2003 Refunding			(158,647)	-	-	26,441	(132,206)	-
Deferred charge on Series 2007 Refunding			(75,408)	-	-	6,284	(69,124)	-
Premium on Series 2003 Refunding			44,758	-	-	(7,460)	37,298	-
Premium on Series 2005 Bonds			404,352	-	-	(21,282)	383,070	-
Premium on Series 2010 Bonds			1,017,869	-	-	(99,304)	918,565	-
Premium on Series 2012 Refunding			-	-	45,853	(45,853)	-	-
Premium on Series 2012A Refunding			-	-	1,192,037	(19,867)	1,172,170	-
Discount on 2008 Bonds			(303,907)	-	-	15,719	(288,188)	-
			<u>\$ 141,198,803</u>	<u>\$ (9,728)</u>	<u>\$ 1,232,890</u>	<u>\$ (7,820,322)</u>	<u>\$ 134,601,643</u>	<u>\$ 4,525,000</u>
Total long-term debt payable								

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
2013	\$ 4,525,000	\$ 6,091,000	\$ 10,616,000
2014	3,910,000	5,940,247	9,850,247
2015	4,610,000	5,780,225	10,390,225
2016	4,800,000	5,601,381	10,401,381
2017	4,995,000	5,410,113	10,405,113
2018-2022	29,475,000	24,624,489	54,099,489
2023-2027	33,175,000	16,499,866	49,674,866
2028-2032	39,475,000	7,871,056	47,346,056
2033	7,490,000	393,225	7,883,225
	132,455,000	\$ 78,211,602	\$ 210,666,602
Plus accretion – Series 2007	125,058		
	\$ 132,580,058		
	Accretion Payable		
Balance at June 30, 2011	\$ 134,786		
Current year portion	(9,728)		
Balance at June 30, 2012	\$ 125,058		

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 February 2012, the District issued \$3,230,000 of Unlimited Tax Refunding Bonds, Series 2012, in order to retire the outstanding Limited Maintenance Tax Notes, Series 2002. This refunding transaction resulted in cash flow savings of \$861,587 and net present value savings of \$61,939 over the life of the bonds.

Dripping Springs Independent School District

Notes to Basic Financial Statements

8. Long-Term Debt (continued)

In March 2012, the District issued \$8,805,000 of Unlimited Tax Refunding Bonds, Series 2012A, in order to retire the outstanding Unlimited Tax Refunding Bonds, Series 2005. This refunding transaction resulted in cash flow savings of \$1,474,341 and net present value savings of \$1,233,753 over the life of the bonds.

9. Revenues From Local and Intermediate Sources

For the year ended June 30, 2012, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	\$ 26,797,021	\$ 11,577,159	\$ -	\$ 38,374,180
Penalties, interest, and other tax related income	217,639	91,515	-	309,154
Food service	-	-	1,750,797	1,750,797
Enterprising services	-	-	736,101	736,101
Investment income	54,601	10,155	5,089	69,845
Co-curricular/extracurricular activities	277,814	-	-	277,814
Gifts and bequests	111,154	-	46,108	157,262
Management fees	27,607	-	-	27,607
Rent	61,445	-	-	61,445
Tuition and fees from patrons	222,756	-	-	222,756
Other	64,862	-	-	64,862
	<u>\$ 27,834,899</u>	<u>\$ 11,678,829</u>	<u>\$ 2,538,095</u>	<u>\$ 42,051,823</u>
Total	<u>\$ 27,834,899</u>	<u>\$ 11,678,829</u>	<u>\$ 2,538,095</u>	<u>\$ 42,051,823</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

Dripping Springs Independent School District

Notes to Basic Financial Statements

10. Defined Benefit Pension Plan Obligations (continued)

Plan Description (continued)

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 Street, Austin, Texas 78701.

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) state statute prohibits benefit improvements 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.

Contribution rates and contributions for fiscal years 2012-2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution and on the portion of the employees’ salaries that exceeded the statutory minimum.

Contribution Rates and Amounts

Year	Member		State		Statutory Minimum Payment Amount
	Rate	Amount	Rate	Amount	
2012	6.4%	\$ 1,578,347	6.000%	\$ 1,171,964	\$ 279,152
2011	6.4%	\$ 1,637,781	6.644%	\$ 1,308,825	\$ 315,274
2010	6.4%	\$ 1,547,679	6.644%	\$ 1,282,727	\$ 301,220

Dripping Springs Independent School District

Notes to Basic Financial Statements

11. Health Care Coverage

Health Insurance Plan

During the year ended June 30, 2012, 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.

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.

Dripping Springs Independent School District

Notes to Basic Financial Statements

11. Health Care Coverage (continued)

Retiree Health Plan (continued)

Funding Policy

Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the option coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012-2010.

Contribution Rates and Amounts

<u>Year</u>	<u>Active Member</u>		<u>State</u>		<u>School District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2012	0.65%	\$ 160,303	1.0%	\$ 195,327	0.55%	\$ 135,638
2011	0.65%	\$ 166,338	1.0%	\$ 196,994	0.55%	\$ 140,746
2010	0.65%	\$ 157,183	1.0%	\$ 193,065	0.55%	\$ 133,007

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 \$61,397, \$69,079, and \$61,694 for fiscal years 2012, 2011, and 2010, respectively.

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, 2012, 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.

Dripping Springs Independent School District

Notes to Basic Financial Statements

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, 2012, the District is also committed under construction contracts with a remaining balance of approximately \$683,153.

The District was not involved in any significant litigation during the year ended June 30, 2012.

14. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012, with amounts due within one year as of June 30, 2012.

	<u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>	<u>Amount Due Within One Year</u>
Bonds payable	\$ <u>141,198,803</u>	\$ <u>13,272,890</u>	\$ <u>(19,870,050)</u>	\$ <u>134,601,643</u>	\$ <u>4,525,000</u>
Total noncurrent liabilities	\$ <u><u>141,198,803</u></u>	\$ <u><u>13,272,890</u></u>	\$ <u><u>(19,870,050)</u></u>	\$ <u><u>134,601,643</u></u>	\$ <u><u>4,525,000</u></u>

Required Supplementary Information

Dripping Springs Independent School District

Exhibit G-1 Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2012

		<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	\$ 26,535,161	\$ 26,780,663	\$ 27,834,899	\$ 1,054,236
5800	State program revenues	3,499,424	7,477,210	7,139,723	(337,487)
5900	Federal program revenues	30,000	2,492	2,672	180
5020	Total revenues	<u>30,064,585</u>	<u>34,260,365</u>	<u>34,977,294</u>	<u>716,929</u>
EXPENDITURES					
Current:					
0011	Instruction	17,899,063	18,235,456	17,571,296	664,160
0012	Instructional resources and media services	366,508	374,669	442,432	(67,763)
0013	Curriculum and staff development	479,272	478,558	431,639	46,919
0021	Instructional leadership	430,284	424,980	371,070	53,910
0023	School leadership	1,758,667	1,768,296	1,778,988	(10,692)
0031	Guidance, counseling, and evaluation services	714,902	716,588	734,824	(18,236)
0033	Health services	234,978	240,973	289,949	(48,976)
0034	Student transportation	2,025,385	1,955,629	1,734,132	221,497
0036	Co-curricular/extracurricular activities	929,411	1,069,298	1,199,916	(130,618)
0041	General administration	1,224,663	1,464,293	1,565,344	(101,051)
0051	Plant maintenance and operations	5,497,575	5,755,925	5,276,130	479,795
0052	Security and monitoring services	21,625	22,245	23,503	(1,258)
0053	Data processing services	216,901	603,115	610,306	(7,191)
0061	Community services	2,000	2,000	358	1,642
Debt service:					
0071	Principal on long-term debt	240,000	240,000	240,000	-
0072	Interest on long-term debt	165,413	165,413	242,959	(77,546)
0081	Capital outlay	-	60,480	197,545	(137,065)
Intergovernmental:					
0091	Contracted instructional services between schools	1,307,358	1,850,131	2,034,578	(184,447)
0099	Other intergovernmental charges	406,438	406,438	388,073	18,365
6030	Total expenditures	<u>33,920,443</u>	<u>35,834,487</u>	<u>35,133,042</u>	<u>701,445</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(3,855,858)</u>	<u>(1,574,122)</u>	<u>(155,748)</u>	<u>1,418,374</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	35,129	35,129
8911	Transfers out	(60,000)	(60,000)	(66,100)	(6,100)
7080	Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(30,971)</u>	<u>29,029</u>
1200	Net change in fund balance	(3,915,858)	(1,634,122)	(186,719)	1,447,403
0100	Fund balance at beginning of year	<u>18,663,845</u>	<u>18,663,845</u>	<u>18,663,845</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 14,747,987</u>	<u>\$ 17,029,723</u>	<u>\$ 18,477,126</u>	<u>\$ 1,447,403</u>

Other Supplementary Information

Dripping Springs Independent School District

Exhibit H-1 Combining Schedule – Balance Sheet Information Nonmajor Governmental Funds

June 30, 2012

	<u>211</u> ESEA Title I, A Improving Basic Programs	<u>224</u> IDEA Part B Formula	<u>225</u> IDEA Part B Preschool	<u>240</u> National School Breakfast and Lunch Program
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 224,219
Temporary investments	-	-	-	451,983
Due from other governments	63,797	142,147	1,612	-
Due from other funds	-	-	-	38,199
Other receivables	-	-	-	422
Inventories – at cost	-	-	-	24,158
Deferred expenditures	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>63,797</u>	\$ <u>142,147</u>	\$ <u>1,612</u>	\$ <u>738,981</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3	\$ 5,099	\$ -	\$ 7,533
Payroll deductions and withholdings payable	2,083	3,665	87	6,269
Accrued wages payable	42,995	69,962	940	83,399
Due to other funds	18,716	63,421	585	-
Deferred revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>63,797</u>	<u>142,147</u>	<u>1,612</u>	<u>97,201</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	-	24,158
Restricted:				
Federal funds grant	-	-	-	617,622
Capital acquisition and contractual obligation	-	-	-	-
Assigned:				
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,780</u>
Total liabilities and fund balances	\$ <u><u>63,797</u></u>	\$ <u><u>142,147</u></u>	\$ <u><u>1,612</u></u>	\$ <u><u>738,981</u></u>

Dripping Springs Independent School District

Exhibit H-1 Combining Schedule – Balance Sheet Information Nonmajor Governmental Funds

June 30, 2012

(Continued)

	244	255	263	283
	Career and Technical – Basic Grant	ESEA Title II, A Training and Principal Training and Recruiting	Title III, A English Lang. Acquisition	IDEA ARRA – Part B Formula
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Temporary investments	-	-	-	-
Due from other governments	10,064	13,824	4,205	-
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Inventories – at cost	-	-	-	-
Deferred expenditures	-	-	-	-
	<u>10,064</u>	<u>13,824</u>	<u>4,205</u>	<u>-</u>
Total assets	<u>\$ 10,064</u>	<u>\$ 13,824</u>	<u>\$ 4,205</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,131	\$ 1,330	\$ 1,506	\$ -
Payroll deductions and withholdings payable	4	156	52	-
Accrued wages payable	180	7,825	2,634	-
Due to other funds	2,749	4,513	13	-
Deferred revenue	-	-	-	-
	<u>10,064</u>	<u>13,824</u>	<u>4,205</u>	<u>-</u>
Total liabilities	<u>10,064</u>	<u>13,824</u>	<u>4,205</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	-	-
Restricted:				
Federal funds grant	-	-	-	-
Capital acquisition and contractual obligation	-	-	-	-
Assigned:				
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 10,064</u>	<u>\$ 13,824</u>	<u>\$ 4,205</u>	<u>\$ -</u>

Dripping Springs Independent School District

Exhibit H-1 Combining Schedule – Balance Sheet Information Nonmajor Governmental Funds

June 30, 2012

(Continued)

	285	288	289	392
	ESEA Title I, A		Other Federal	Noneducational
	ARRA – Improving		Special	Community-Based
	Basic Programs	SHARS	Revenue Funds	Support
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 50,633	\$ -	\$ -
Temporary investments	-	-	4,369	-
Due from other governments	-	-	-	1,035
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Inventories – at cost	-	-	-	-
Deferred expenditures	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ -</u>	<u>\$ 50,633</u>	<u>\$ 4,369</u>	<u>\$ 1,035</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll deductions and withholdings payable	-	-	-	-
Accrued wages payable	-	-	-	-
Due to other funds	-	-	-	1,035
Deferred revenue	-	50,633	4,369	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>50,633</u>	<u>4,369</u>	<u>1,035</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	-	-
Restricted:				
Federal funds grant	-	-	-	-
Capital acquisition and contractual obligation	-	-	-	-
Assigned:				
Other	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 50,633</u>	<u>\$ 4,369</u>	<u>\$ 1,035</u>

Dripping Springs Independent School District

Exhibit H-1 Combining Schedule – Balance Sheet Information Nonmajor Governmental Funds

June 30, 2012

(Continued)

	397	404	410	411
	Advanced Placement Initiatives	Student Success Initiative	State Textbook Fund	Technology Allotment
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Temporary investments	-	-	31,155	-
Due from other governments	-	-	-	656
Due from other funds	14,591	-	-	-
Other receivables	-	-	-	-
Inventories – at cost	-	-	-	-
Deferred expenditures	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 14,591</u>	<u>\$ -</u>	<u>\$ 31,155</u>	<u>\$ 656</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll deductions and withholdings payable	-	-	-	-
Accrued wages payable	-	-	-	-
Due to other funds	-	-	31,155	656
Deferred revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>31,155</u>	<u>656</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	-	-
Restricted:				
Federal funds grant	-	-	-	-
Capital acquisition and contractual obligation	-	-	-	-
Assigned:				
Other	14,591	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>14,591</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 14,591</u>	<u>\$ -</u>	<u>\$ 31,155</u>	<u>\$ 656</u>

Dripping Springs Independent School District

Exhibit H-1 Combining Schedule – Balance Sheet Information Nonmajor Governmental Funds

June 30, 2012

	461 Campus Activity Funds	481 San Marcos Civic Foundation	482 Memorabilia Fund	483 Education Foundation Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ 444	\$ 135	\$ 8,976
Temporary investments	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	384,228	-	-	-
Other receivables	7,982	-	-	-
Inventories – at cost	-	-	-	-
Deferred expenditures	-	-	-	5,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 392,210</u>	<u>\$ 444</u>	<u>\$ 135</u>	<u>\$ 13,976</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,130	\$ -	\$ -	\$ 3,410
Payroll deductions and withholdings payable	30	-	-	-
Accrued wages payable	2,100	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	444	-	10,566
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,260</u>	<u>444</u>	<u>-</u>	<u>13,976</u>
Fund Balances:				
Nonspendable:				
Inventories	-	-	-	-
Restricted:				
Federal funds grant	-	-	-	-
Capital acquisition and contractual obligation	-	-	-	-
Assigned:				
Other	388,950	-	135	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>388,950</u>	<u>-</u>	<u>135</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 392,210</u>	<u>\$ 444</u>	<u>\$ 135</u>	<u>\$ 13,976</u>

Dripping Springs Independent School District

Exhibit H-1 Combining Schedule – Balance Sheet Information Nonmajor Governmental Funds

June 30, 2012

(Continued)

	499 Other Local Special Revenue Funds	608 Capital Projects Fund	691 Capital Projects Fund	698 Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,247	\$ 8,420	\$ -	\$ -	\$ 298,074
Temporary investments	-	1,341,163	211,615	(179,620)	1,860,665
Due from other governments	-	-	-	-	237,340
Due from other funds	-	-	-	-	437,018
Other receivables	-	-	-	-	8,404
Inventories – at cost	-	-	-	-	24,158
Deferred expenditures	-	-	-	-	5,000
	<u>5,247</u>	<u>1,349,583</u>	<u>211,615</u>	<u>(179,620)</u>	<u>2,870,659</u>
Total assets	<u>\$ 5,247</u>	<u>\$ 1,349,583</u>	<u>\$ 211,615</u>	<u>\$ (179,620)</u>	<u>\$ 2,870,659</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,000	\$ 12,150	\$ 211,615	\$ -	\$ 251,907
Payroll deductions and withholdings payable	-	-	-	-	12,346
Accrued wages payable	-	-	-	-	210,035
Due to other funds	14	-	-	-	122,857
Deferred revenue	-	-	-	-	66,012
	<u>1,014</u>	<u>12,150</u>	<u>211,615</u>	<u>-</u>	<u>663,157</u>
Total liabilities	<u>1,014</u>	<u>12,150</u>	<u>211,615</u>	<u>-</u>	<u>663,157</u>
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	-	24,158
Restricted:					
Federal funds grant	-	-	-	-	617,622
Capital acquisition and contractual obligation	-	1,337,433	-	(179,620)	1,157,813
Assigned:					
Other	4,233	-	-	-	407,909
	<u>4,233</u>	<u>1,337,433</u>	<u>-</u>	<u>(179,620)</u>	<u>2,207,502</u>
Total fund balances	<u>4,233</u>	<u>1,337,433</u>	<u>-</u>	<u>(179,620)</u>	<u>2,207,502</u>
Total liabilities and fund balances	<u>\$ 5,247</u>	<u>\$ 1,349,583</u>	<u>\$ 211,615</u>	<u>\$ (179,620)</u>	<u>\$ 2,870,659</u>

Dripping Springs Independent School District

Exhibit H-2

Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – Nonmajor Governmental Funds

Year Ended June 30, 2012

	211	224	225	240
	ESEA Title I, A	IDEA	IDEA	National School
	Improving	Part B	Part B	Breakfast and
	Basic Programs	Formula	Preschool	Lunch Program
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ 1,753,198
State program revenues	-	-	-	6,396
Federal program revenues	233,909	605,447	6,541	377,289
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>233,909</u>	<u>605,447</u>	<u>6,541</u>	<u>2,136,883</u>
EXPENDITURES				
Current:				
Instruction	227,708	314,420	6,541	-
Instructional resources and media services	-	-	-	-
Curriculum and staff development	-	2,806	-	-
Instructional leadership	4,825	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluation services	-	287,871	-	-
Health services	1,376	250	-	-
Student transportation	-	-	-	-
Food service	-	-	-	1,796,765
Co-curricular/extracurricular activities	-	-	-	-
Plant maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	100	-	-
Capital outlay:				
Facilities Acquisition and Construction	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>233,909</u>	<u>605,447</u>	<u>6,541</u>	<u>1,796,765</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,118</u>
Net change in fund balances	-	-	-	340,118
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>301,662</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,780</u>

Dripping Springs Independent School District

Exhibit H-2

Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – Nonmajor Governmental Funds

Year Ended June 30, 2012

(Continued)

	244	255	263	283
	Career and Technical – Basic Grant	ESEA Title II, A Training and Principal Training and Recruiting	Title III, A English Lang. Acquisition	IDEA ARRA – Part B Formula
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-
Federal program revenues	30,424	67,475	12,736	77,283
Total revenues	30,424	67,475	12,736	77,283
EXPENDITURES				
Current:				
Instruction	23,677	56,631	12,016	74,655
Instructional resources and media services	-	-	-	-
Curriculum and staff development	185	8,791	280	2,628
Instructional leadership	1,224	2,053	440	-
School leadership	-	-	-	-
Guidance, counseling, and evaluation services	5,338	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food service	-	-	-	-
Co-curricular/extracurricular activities	-	-	-	-
Plant maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	-	-	-
Capital outlay:				
Facilities Acquisition and Construction	-	-	-	-
Total expenditures	30,424	67,475	12,736	77,283
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Dripping Springs Independent School District

Exhibit H-2

Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – Nonmajor Governmental Funds

Year Ended June 30, 2012

(Continued)

	285	288	289	392
	ESEA Title I, A		Other Federal	Noneducational
	ARRA – Improving	SHARS	Special	Community-Based
	Basic Programs		Revenue Funds	Support
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	1,035
Federal program revenues	33,622	-	-	-
	<u>33,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>33,622</u>	<u>-</u>	<u>-</u>	<u>1,035</u>
EXPENDITURES				
Current:				
Instruction	33,622	-	-	1,000
Instructional resources and media services	-	-	-	-
Curriculum and staff development	-	-	-	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluation services	-	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food service	-	-	-	-
Co-curricular/extracurricular activities	-	-	-	-
Plant maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	-	-	1,035
Capital outlay:				
Facilities Acquisition and Construction	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>33,622</u>	<u>-</u>	<u>-</u>	<u>2,035</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Net change in fund balances	-	-	-	(1,000)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Dripping Springs Independent School District

Exhibit H-2

Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – Nonmajor Governmental Funds

Year Ended June 30, 2012

(Continued)

	397	404	410	411
	Advanced Placement Initiatives	Student Success Initiative	State Textbook Fund	Technology Allotment
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	4,398	4,329	317,124	-
Federal program revenues	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>4,398</u>	<u>4,329</u>	<u>317,124</u>	<u>-</u>
EXPENDITURES				
Current:				
Instruction	11,126	4,329	317,124	-
Instructional resources and media services	-	-	-	-
Curriculum and staff development	3,968	-	-	-
Instructional leadership	-	-	-	-
School leadership	-	-	-	-
Guidance, counseling, and evaluation services	-	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food service	-	-	-	-
Co-curricular/extracurricular activities	-	-	-	-
Plant maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	-	-	-
Capital outlay:				
Facilities Acquisition and Construction	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>15,094</u>	<u>4,329</u>	<u>317,124</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(10,696)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(10,696)	-	-	-
Fund balance at beginning of year	<u>25,287</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Dripping Springs Independent School District

Exhibit H-2

Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – Nonmajor Governmental Funds

Year Ended June 30, 2012

(Continued)

	<u>461</u> Campus Activity Funds	<u>481</u> San Marcos Civic Foundation	<u>482</u> Memorabilia Fund	<u>483</u> Education Foundation Grant
REVENUES				
Local and intermediate sources	\$ 736,101	\$ 8,104	\$ -	\$ 32,504
State program revenues	239	-	-	-
Federal program revenues	-	-	-	-
Total revenues	<u>736,340</u>	<u>8,104</u>	<u>-</u>	<u>32,504</u>
EXPENDITURES				
Current:				
Instruction	292,474	-	-	32,504
Instructional resources and media services	62,024	-	-	-
Curriculum and staff development	(532)	8,104	-	-
Instructional leadership	-	-	-	-
School leadership	14,063	-	-	-
Guidance, counseling, and evaluation services	2,441	-	-	-
Health services	100	-	-	-
Student transportation	-	-	-	-
Food service	-	-	-	-
Co-curricular/extracurricular activities	382,379	-	-	-
Plant maintenance and operations	357	-	-	-
Security and monitoring services	200	-	-	-
Community services	-	-	-	-
Capital outlay:				
Facilities Acquisition and Construction	-	-	-	-
Total expenditures	<u>753,506</u>	<u>8,104</u>	<u>-</u>	<u>32,504</u>
Excess (deficiency) of revenues over expenditures	<u>(17,166)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(17,166)	-	-	-
Fund balance at beginning of year	<u>406,116</u>	<u>-</u>	<u>135</u>	<u>-</u>
Fund balance at end of year	<u>\$ 388,950</u>	<u>\$ -</u>	<u>\$ 135</u>	<u>\$ -</u>

Dripping Springs Independent School District

Exhibit H-2

Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – Nonmajor Governmental Funds

Year Ended June 30, 2012

(Continued)

	499 Other Local Special Revenue Funds	608 Capital Project Funds	691 Capital Project Funds	698 Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES					
Local and intermediate sources	\$ 5,500	\$ 2,688	\$ -	\$ -	\$ 2,538,095
State program revenues	-	-	-	-	333,521
Federal program revenues	-	-	-	-	1,444,726
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	5,500	2,688	-	-	4,316,342
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES					
Current:					
Instruction	3,501	-	-	-	1,411,328
Instructional resources and media services	-	-	-	-	62,024
Curriculum and staff development	-	-	-	-	26,230
Instructional leadership	-	-	-	-	8,542
School leadership	-	-	-	-	14,063
Guidance, counseling, and evaluation services	-	-	-	-	295,650
Health services	-	-	-	-	1,726
Student transportation	1,000	-	-	-	1,000
Food service	-	-	-	-	1,796,765
Co-curricular/extracurricular activities	-	-	-	-	382,379
Plant maintenance and operations	999	-	-	-	1,356
Security and monitoring services	-	57,916	-	-	58,116
Community services	-	-	-	-	1,135
Capital outlay:					
Facilities Acquisition and Construction	-	2,824,628	-	179,620	3,004,248
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,500	2,882,544	-	179,620	7,064,562
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	-	(2,879,856)	-	(179,620)	(2,748,220)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	(2,879,856)	-	(179,620)	(2,748,220)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance at beginning of year	4,233	4,217,289	-	-	4,955,722
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance at end of year	\$ 4,233	\$ 1,337,433	\$ -	\$ (179,620)	\$ 2,207,502
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Dripping Springs Independent School District

Exhibit H-3

Combining Schedule – Statement of Net Assets Information – All Nonmajor Enterprise Funds

June 30, 2012

	711	712	
	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 200	\$ 200
Due from other funds	9,285	682,652	691,937
Other receivables	-	6,015	6,015
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,285</u>	<u>\$ 688,867</u>	<u>\$ 698,152</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 14,538	\$ 14,538
Payroll deductions and withholdings payable	1,009	2,242	3,251
Accrued wages payable	16,711	91,784	108,495
Deferred revenue	-	143,701	143,701
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>17,720</u>	<u>252,265</u>	<u>269,985</u>
 NET ASSETS			
Unrestricted net assets	<u>(8,435)</u>	<u>436,602</u>	<u>428,167</u>
Total net assets	<u>\$ (8,435)</u>	<u>\$ 436,602</u>	<u>\$ 428,167</u>

Dripping Springs Independent School District

Exhibit H-4

Combining Schedule – Statement of Revenues, Expenditures, and Changes in Fund Balance Information – All Nonmajor Enterprise Funds

Year Ended June 30, 2012

	711	712	
	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
Operating Revenues			
Local and intermediate sources	\$ 133,477	\$ 1,035,120	\$ 1,168,597
State program revenues	<u>9,011</u>	<u>35,108</u>	<u>44,119</u>
Total operating revenues	<u>142,488</u>	<u>1,070,228</u>	<u>1,212,716</u>
Operating Expenses			
Payroll costs	145,760	683,586	829,346
Professional and contracted services	350	199,856	200,206
Supplies and materials	4,402	94,568	98,970
Other operating	<u>411</u>	<u>12,819</u>	<u>13,230</u>
Total operating expenses	<u>150,923</u>	<u>990,829</u>	<u>1,141,752</u>
Income (loss) before transfers	(8,435)	79,399	70,964
Transfers			
Transfers in	-	66,100	66,100
Transfers out	<u>-</u>	<u>(35,129)</u>	<u>(35,129)</u>
Change in net assets	(8,435)	110,370	101,935
Total net assets at beginning of year	<u>-</u>	<u>326,232</u>	<u>326,232</u>
Total net assets at end of year	<u>\$ (8,435)</u>	<u>\$ 436,602</u>	<u>\$ 428,167</u>

Dripping Springs Independent School District

Exhibit H-5

Combining Schedule – Statement of Cash Flows Information – All Nonmajor Enterprise Funds

Year Ended June 30, 2012

	711	712	
	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers and contributors	\$ 140,141	\$ 940,491	\$ 1,080,632
Payments to suppliers	(5,232)	(310,540)	(315,772)
Payments to employees	<u>(151,982)</u>	<u>(661,422)</u>	<u>(813,404)</u>
Net cash used in operating activities	<u>(17,073)</u>	<u>(31,471)</u>	<u>(48,544)</u>
Cash Flows From Noncapital Financing Activities			
Transfers from other fund	-	66,100	66,100
Transfers to other fund	<u>-</u>	<u>(35,129)</u>	<u>(35,129)</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>30,971</u>	<u>30,971</u>
Net decrease in cash and cash equivalents	(17,073)	(500)	(17,573)
Cash and cash equivalents at beginning of year	<u>17,073</u>	<u>700</u>	<u>17,773</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 200</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (8,435)	\$ 79,399	\$ 70,964
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Increase in receivables	-	(6,015)	(6,015)
Increase in due from other funds	(2,347)	(152,004)	(154,351)
Decrease in accounts payable	(69)	(3,297)	(3,366)
Decrease in payroll deductions and withholdings payable	(674)	(674)	(1,348)
Increase (decrease) in accrued wages payable	(5,548)	22,838	17,290
Increase in deferred revenue	<u>-</u>	<u>28,282</u>	<u>28,282</u>
Net cash used in operating activities	<u>\$ (17,073)</u>	<u>\$ (31,471)</u>	<u>\$ (48,544)</u>

Dripping Springs Independent School District

Exhibit J-1 Schedule of Delinquent Taxes Receivable

Year Ended June 30, 2012

Last Ten Years Ended June 30	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance July 1, 2011	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance June 30, 2012
	Maintenance	Debt Service							
2003 and earlier	\$ 1.4392	\$ 0.3081	\$ 1,221,327,595	\$ 41,624	\$ -	\$ 373	\$ 79	\$ -	\$ 41,172
2004	1.4500	0.3054	1,326,290,666	16,200	-	4,606	970	-	10,624
2005	1.4830	0.2635	1,444,776,831	18,426	-	4,994	887	-	12,545
2006	1.5000	0.3260	1,539,205,516	34,512	-	4,512	980	3	29,023
2007	1.3699	0.3102	1,747,299,219	32,570	-	5,310	1,202	225	26,283
2008	1.0400	0.3753	2,058,181,008	311,833	-	7,953	2,868	3,597	304,609
2009	1.0400	0.4500	2,365,445,495	(83,907)	-	15,050	6,511	11,953	(93,515)
2010	1.0400	0.4500	2,705,146,498	15,616	-	54,157	23,344	10,023	(51,862)
2011	1.0400	0.4500	2,689,502,236	770,354	-	447,247	193,317	(4,498)	125,292
2012	1.0400	0.4500	2,815,667,436	-	38,192,354	26,252,819	11,347,000	88,286	680,821
Totals				\$ 1,157,228	\$ 38,192,354	\$ 26,797,021	\$ 11,577,158	\$ 109,589	\$ 1,084,992

Dripping Springs Independent School District

Exhibit J-2 Schedule of Expenditures for Computation of Indirect Costs – General and Special Revenue Funds

Year Ended June 30, 2012

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt.'s Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll costs	\$ 5,761	\$ -	\$ 389,837	\$ 775,114	\$ -	\$ -	\$ 1,170,712
6149	Fringe benefits – unused leave for separating employees in Function 41 and related Function 53	-	-	150	2,025	-	-	2,175
6149	Fringe benefits – unused leave for separating employees in all functions except Function 41 and related Function 53	-	-	-	-	-	-	-
6211	Legal services	57,435	-	86,645	-	-	-	144,080
6212	Audit services	-	-	-	56,076	-	-	56,076
6213	Tax appraisal and collection	-	292,706	-	-	-	-	292,706
621X	Other professional services	-	-	-	4,379	-	-	4,379
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	1,500	-	-	1,500
6240	Construction, maintenance, and repair	-	-	678	1,673	-	-	2,351
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	625	6,774	-	-	7,399
6290	Miscellaneous construction	15,508	-	9,994	20,311	-	-	45,813
6320	Textbooks and reading	-	-	919	435	-	-	1,354
6330	Testing materials	-	-	-	-	-	-	-
63XX	Other supplies and materials	7,921	-	4,629	15,422	-	-	27,972
6410	Travel, subsistence, and stipends	2,302	-	6,648	4,403	-	-	13,353
6420	Insurance and bonding costs	17,164	300	-	-	-	-	17,464
6430	Election costs	42,634	-	-	-	-	-	42,634
6490	Miscellaneous operating	16,473	-	2,433	6,310	-	-	25,216
6500	Debt service	-	-	-	-	-	-	-
6600	Capital outlay	-	-	-	-	-	-	-
Total		\$ 165,198	\$ 293,006	\$ 502,558	\$ 894,422	\$ -	\$ -	\$ 1,855,184
Total expenditures for General and Special Revenue Funds								(9) \$ 39,135,440
Less deductions of unallowable costs								-
Fiscal Year								
Total capital outlay (6600)						(10) \$ 630,405		
Total debt and lease (6500)						(11) \$ 482,959		
Plant maintenance (Function 51, 6100-6400)						(12) \$ 5,199,521		
Food (Function 35, 6341, and 6499)						(13) \$ 783,257		
Stipends (6413)						(14) \$ -		
Column 4 (above) – total indirect cost						<u>\$ 894,422</u>		
Subtotal								<u>7,990,564</u>
Net allowed direct cost								<u>\$ 31,144,876</u>
Cumulative								
Total cost of buildings before depreciation (1520)						(15) \$ 162,579,861		
Historical cost of buildings over 50 years old						(16) \$ 317,825		
Amount of federal money in building cost (net of #16)						(17) \$ -		
Total cost of furniture and equipment before depreciation (1530 and 1540)						(18) \$ 11,397,442		
Historical cost of furniture and equipment over 16 years old						(19) \$ 2,459,368		
Amount of federal money in furniture and equipment (net of #19)						(20) \$ 356,872		

(8) Note A – No Function 53 expenditures are included and \$289,840 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

Exhibit J-3 Fund Balance and Cash Flow Calculation Worksheet (Unaudited) – General Fund

As of June 30, 2012

1. Total General Fund Balance as of June 30, 2012		\$ 18,477,126
2. Total Nonspendable Fund Balance	\$ 256,896	
3. Total Assigned Fund Balance	1,908,687	
4. Total reserve for encumbrances (unaudited)	333,687	
5. Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues) (unaudited)	7,075,454	
6. Estimate of two and a half month's average cash disbursements during the fiscal year (unaudited)	7,319,384	
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 (unaudited)	-	
9. Estimate of delayed payments from federal sources (59xx) (unaudited)	-	
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>16,894,108</u>
13. Excess (deficit) Undesignated Unassigned General Fund fund balance (Line 1 minus Line 12) (unaudited)		<u>\$ 1,583,018</u>

Dripping Springs Independent School District

Exhibit J-4

Budgetary Comparison Schedule – National School Breakfast and Lunch Program

Year Ended June 30, 2012

<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	\$ 1,753,198	\$ 107,530
5800	State program revenues	6,750	6,750	6,396	(354)
5900	Federal program revenues	<u>267,022</u>	<u>267,022</u>	<u>377,289</u>	<u>110,267</u>
5020	Total revenues	<u>1,919,440</u>	<u>1,919,440</u>	<u>2,136,883</u>	<u>217,443</u>
EXPENDITURES					
Current:					
0035	Food service	1,834,334	1,835,437	1,796,765	38,672
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>1,920,543</u>	<u>1,796,765</u>	<u>123,778</u>
1200	Net change in fund balance	-	(1,103)	340,118	341,221
0100	Fund balance at beginning of year	<u>301,662</u>	<u>301,662</u>	<u>301,662</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 301,662</u>	<u>\$ 300,559</u>	<u>\$ 641,780</u>	<u>\$ 341,221</u>

Dripping Springs Independent School District

Exhibit J-5 Budgetary Comparison Schedule – Debt Service Fund

Year Ended June 30, 2012

<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	\$ 11,355,406	\$ 11,355,406	\$ 11,678,829	\$ 323,423
5020	Total revenues	<u>11,355,406</u>	<u>11,355,406</u>	<u>11,678,829</u>	<u>323,423</u>
EXPENDITURES					
0071	Principal on long-term debt	4,205,000	4,205,000	7,435,000	(3,230,000)
0072	Interest on long-term debt	6,440,468	6,440,468	6,370,463	70,005
0073	Other debt service	<u>20,000</u>	<u>20,000</u>	<u>233,607</u>	<u>(213,607)</u>
6030	Total expenditures	<u>10,665,468</u>	<u>10,665,468</u>	<u>14,039,070</u>	<u>(3,373,602)</u>
1100	Excess (deficiency) of revenues over expenditures	<u>689,938</u>	<u>689,938</u>	<u>(2,360,241)</u>	<u>(3,050,179)</u>
OTHER FINANCING SOURCES (USES)					
7911	Refunding bonds issued	-	-	12,035,000	12,035,000
7916	Premium on issuance of bonds	-	-	1,237,890	1,237,890
8949	Payment to bond refunding escrow agent	<u>-</u>	<u>-</u>	<u>(13,091,037)</u>	<u>(13,091,037)</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>181,853</u>	<u>181,853</u>
1200	Net change in fund balance	689,938	689,938	(2,178,388)	(2,868,326)
0100	Fund balance at beginning of year	<u>11,462,415</u>	<u>11,462,415</u>	<u>11,462,415</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 12,152,353</u>	<u>\$ 12,152,353</u>	<u>\$ 9,284,027</u>	<u>\$ (2,868,326)</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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2012. 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.

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. However, we identified a deficiency in internal control over

financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting which is reported as finding 2012-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 6, 2012.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response, and accordingly, we express no opinion on it.

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 6, 2012

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 the District's major federal program for the year ended June 30, 2012. The District's major federal program is 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 its major federal program 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 on 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 program for the year ended June 30, 2012.

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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, and 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 6, 2012

Dripping Springs Independent School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section I - Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X 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 Circular A-133? Yes X No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	Special Education Cluster:
84.173A	IDEA – Part B, Formula
84.391A	IDEA Part B, Preschool
	IDEA – Part B, Formula – ARRA

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

Auditee qualified as low-risk auditee? X Yes No

Dripping Springs Independent School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

(Continued)

Section II - Financial Statement Findings

Finding 2012-01: Year-End General Ledger Closing Procedures

Type of Finding: Significant Deficiency

Criteria: The year-end general ledger closing process is an integral part of the accurate and timely financial reporting function, which is required to effectively manage and guide an organization.

Condition: The District does not have formal, documented year-end closing procedures. At the agreed date of starting our audit, the District had not performed the year-end general ledger closing process and, as a result, several errors were noted in the initial general ledger provided by the District, including:

- a. Special Revenue Funds – these funds are primarily used by the District to account for the proceeds of specific revenue sources related to federal grants. These grants operate on a reimbursement basis, which means the District expends the funds for operation of the grant and then seeks reimbursement from the federal government. Other than food service, these funds should not have a fund balance. The preliminary general ledger provided by the District reflected erroneous fund balances for six of the District’s special revenue funds.
- b. Year-end adjustments necessary to properly account for property taxes were not recorded causing errors in the following accounts: property tax receivable, property tax allowance, and deferred revenue.
- c. The District issued two series of bonds in fiscal year 2012. The general ledger did not properly reflect the sources and uses of these transactions in accordance with generally accepted accounting principles and the Financial Accountability Resource Guide.
- d. The General Fixed Asset Account Group balances in the general ledger (Fund 902) provided to us had not been updated since June 30, 2011; no current year activity had been recorded. Year-end adjustments were necessary to properly account for capital asset activity (e.g., additions, transfers out of construction in progress, and current year depreciation amounts).
- e. Journal entries were recorded during fiscal year 2012 in an inactive fund (Fund 313). Because this fund is a special revenue fund, these expenditures were reflected on the initial Schedule of Expenditures of Federal Awards (“SEFA”) provided by the District. The SEFA is a supplemental schedule that is not a required part of the basic financial statements, but is presented in the annual financial statements as required by OMB Circular A-133.

Dripping Springs Independent School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

(Continued)

Effect: Inaccurate financial records increase the risk of material misstatements in the financial statements. Accurate and timely financial statements are necessary for management and the Board to make sound financial and operating decisions, which if made with inaccurate financial information could affect the operations of the District.

Cause: The District has not developed a well documented year-end general ledger closing process and has experienced temporary absences of key employees.

Recommendation: We recommend the District follow certain procedures each fiscal year-end in order to close out the fiscal year's general ledger and prepare the annual financial report. We recommend the year-end general ledger closing procedures should:

- Be formally documented to reduce the risk of loss of institutional knowledge with personnel turnover or temporary absence from work.
- Include an exhaustive list of tasks required to be completed, along with personnel assignments and deadlines.
- Be performed on a monthly or quarterly basis in order to reduce the fiscal year-end workload.
- Any and all post-closing adjustments to the trial balance should be reviewed for accuracy by management prior to posting by accounting staff.

Views of Responsible Officials and Corrective Action Plan: Management has agreed to formally document the year-end general ledger closing process, including a specific list of tasks required to be completed. In addition, management has agreed to perform these procedures on a periodic basis, more frequent than annually, to ensure the year-end closing is as efficient and expedient as possible.

Section III – Federal Award Findings and Questioned Costs

None

Dripping Springs Independent School District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

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

Dripping Springs Independent School District

Corrective Action Plan

Year Ended June 30, 2012

Program

None

Corrective Action Plan

No current year findings.

Dripping Springs Independent School District

Exhibit K-1

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures, Including Indirect Costs</u>
<u>United States Department of Education:</u>			
Passed Through Texas Education Agency:			
ESEA Title I, Part A, Improving Basic Programs	84.010A	12610101105904	\$ 233,909
IDEA – Part B, Formula	84.027A	126600011059046600	605,447
Career and Technical – Basic Grant	84.048A	12420006105904	30,424
IDEA – Part B, Preschool	84.173A	126610011059046610	6,541
Title III, Part A – English Language Acquisition	84.365A	12671001105904	12,736
ESEA Title II, Part A – Teacher/Principal Training	84.367A	12694501105904	67,475
ESEA Title I, Part A, Improving Basic Programs – ARRA	84.389A	10551001105904	33,622
IDEA – Part B, Formula – ARRA	84.391A	10555001105904	<u>77,283</u>
Total Passed Through Texas Education Agency			<u>1,067,437</u>
Total United States Department of Education			<u>1,067,437</u>
<u>United States Department of Agriculture:</u>			
Passed Through the State Department of Agriculture:			
National School Breakfast Program	10.553	71401101	58,250
National School Lunch Program – Cash Assistance	10.555	71301101	256,166
National School Lunch Program – Noncash Assistance	10.555	71301101	<u>62,873</u>
Total Passed Through the State Department of Agriculture			<u>377,289</u>
Total United States Department of Agriculture			<u>377,289</u>
Total Expenditures of Federal Awards			<u>\$ 1,444,726</u>

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.