

# DICKINSON INDEPENDENT SCHOOL DISTRICT



ANNUAL FINANCIAL AND  
COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014

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**DICKINSON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014**

**TABLE OF CONTENTS**

	<u>PAGE</u>	<u>EXHIBIT</u>
<b>CERTIFICATE OF BOARD .....</b>	<b>1</b>	<b>-</b>
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report.....	5	-
Management's Discussion and Analysis.....	7	-
<b>Basic Financial Statements:</b>		
<b>Government-Wide Financial Statements:</b>		
Statement of Net Position .....	15	A-1
Statement of Activities .....	16	B-1
<b>Funds Financial Statements:</b>		
Balance Sheet – Governmental Funds .....	18	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	22	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	24	C-4
Statement of Net Position – Proprietary Funds.....	25	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	26	D-2
Statement of Cash Flows – Proprietary Funds.....	27	D-3
Statement of Fiduciary Net Position – Fiduciary Funds .....	28	E-1
<b>Notes to the Financial Statements .....</b>	<b>29</b>	
<b>Required Supplementary Information:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund .....	51	F-1
Notes to the Required Supplementary Information .....	52	
<b>Combining Schedules:</b>		
Combining Balance Sheet – Nonmajor Governmental Funds .....	54	G-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	58	G-2
<b>Compliance Schedules:</b>		
Schedule of Delinquent Taxes Receivable .....	62	H-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Program .....	64	H-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund .....	65	H-3
<b>FEDERAL AWARDS SECTION</b>		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	69	-
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	71	-
Schedule of Findings and Questioned Costs .....	73	-
Schedule of Expenditures of Federal Awards .....	75	I-1
Notes to Schedule of Expenditures of Federal Awards.....	76	-

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## CERTIFICATE OF BOARD


**Dickinson Independent School District**  
Name of School District

**Galveston**  
County

**084-901**  
County-District

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and   X   approved        disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the 8<sup>th</sup> day of December, 2014.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dickinson Independent School District (the District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 14 and 51 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of the management about the methods of preparing the information and comparing the information for consistency with the management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and compliance schedules required by the Texas Education Agency are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, compliance schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, compliance schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Start & Busch, LLC

Baytown, Texas  
December 1, 2014

## DICKINSON INDEPENDENT SCHOOL DISTRICT

### *Management's Discussion and Analysis*

*August 31, 2014*

As administrators of the Dickinson Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2014.

#### **Financial highlights**

The District's total assets and deferred outflows of resources exceeded its liabilities at the close of the most recent fiscal year by \$26,122,382 (*net position*). Of this amount, \$37,718,038 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position increased by \$2,903,053 for the current fiscal period.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$100,515,336 an increase of \$56,448,701 in comparison with the prior year. The increase in governmental fund balances was primarily due to bond proceeds related to the capital project funds. Fund balance in the capital projects fund increased by \$50,471,928. In addition, the general fund fund balance increased by \$6,488,226 due to excess revenues over expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$21,113,965 or 30% of total general fund expenditures.

#### **Overview of the Financial Statements**

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

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

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

#### **Government-wide Financial Statements**

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

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

## **DICKINSON INDEPENDENT SCHOOL DISTRICT**

### ***Management's Discussion and Analysis***

***August 31, 2014***

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

### **Proprietary Fund**

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*August 31, 2014*

**Fiduciary Fund**

The fiduciary funds are used to account for resources held for the benefit of students and employees. The fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve current financial resources.

**Fund Balance**

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

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

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

**Other Information**

The other supplementary information is presented immediately following the required supplementary information.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$26,122,382 at the close of the most recent fiscal year.

The District's net position includes amounts invested in capital assets (e.g., land, building and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2014**

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COMPARATIVE SCHEDULE OF NET POSITION**

*August 31, 2014 and 2013*

*Amounts in (000's)*

	Governmental Activities		Change
	2014	2013	2013-14
Current and other assets	\$ 110,200	\$ 52,765	\$ 57,435
Capital assets	206,687	209,404	(2,717)
<b>Total assets</b>	<b>316,887</b>	<b>262,169</b>	<b>54,718</b>
<b>Deferred outflows of resources</b>	<b>1,500</b>	<b>792</b>	<b>708</b>
Other liabilities	6,642	5,979	663
Long-term liabilities	285,623	233,763	51,860
<b>Total liabilities</b>	<b>292,265</b>	<b>239,742</b>	<b>52,523</b>
Net position:			
Net Investment in Capital Assets	(19,566)	(13,076)	(6,490)
Restricted	7,970	8,374	(404)
Unrestricted	37,718	27,921	9,797
<b>Total net position</b>	<b>\$ 26,122</b>	<b>\$ 23,219</b>	<b>\$ 2,903</b>

The District's total net position increased by \$2,903,053 over the prior year. At August 31, 2014, the District reported positive balances in restricted and unrestricted net position. Unrestricted net position may be used to meet the District's ongoing obligations to students and creditors.

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

Federal and state programs	\$ 840
Debt service	6,420
Campus activities	710
	<u>\$ 7,970</u>

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2014**

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**  
*August 31, 2014 and 2013*  
*Amounts in (000's)*

	Governmental Activities		Change
	2014	2013	2014-13
<b>Revenues</b>			
<b>Program revenues:</b>			
Charge for services	\$ 3,166	\$ 2,887	\$ 279
Operating grants & contributions	14,459	15,013	(554)
<b>General revenues:</b>			
Property Taxes	42,508	38,980	3,528
State Aid - formula grants	41,790	37,860	3,930
Investment earnings	56	89	(33)
Other	2,310	2,785	(475)
<b>Total revenues</b>	<u>104,289</u>	<u>97,614</u>	<u>6,675</u>
<b>Expenses:</b>			
Instruction	52,166	48,268	3,898
Instructional resources and media services	996	922	74
Curriculum and instructional staff development	595	545	50
Instructional leadership	1,088	1,108	(20)
School leadership	4,777	4,613	164
Guidance, counseling and evaluation services	2,550	2,345	205
Social work services	93	120	(27)
Health services	637	618	19
Student (pupil) transportation	4,113	3,712	401
Food services	5,956	5,652	304
Extracurricular activities	1,988	2,170	(182)
General administration	2,708	2,591	117
Facilities maintenance and operations	9,160	8,687	473
Security and monitoring services	378	353	25
Data processing services	1,395	1,343	52
Community services	411	272	139
Debt service	10,328	10,617	(289)
Payments to fiscal agent/member districts of SSA	1,980	2,023	(43)
Payments to juvenile justice alternative education programs	67	143	(76)
<b>Total expenses</b>	<u>101,386</u>	<u>96,102</u>	<u>5,284</u>
 Increase (decrease) in net position	 2,903	 1,512	 1,391
 <b>Net position, beginning</b>	 <u>23,219</u>	 <u>21,707</u>	 <u>1,512</u>
<b>Net position, ending</b>	<u>\$ 26,122</u>	<u>\$ 23,219</u>	<u>\$ 2,903</u>

**Governmental Activities**

Total revenues for the District's governmental activities exceeded total expenses by \$2,903,053, which resulted in an increase to net position over the prior year. Revenues and expenses in 2014 increased by \$6.7 million and \$5.3 million, respectively, when compared to 2013.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 95% of total revenues. The remaining 5% is generated from charges for services, investment earnings, and miscellaneous revenues. In 2014, revenues increased over the prior year by approximately \$6.7 million.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*August 31, 2014*

This results from additional revenues from property taxes, state funding, and charges for services offset by a decrease in operating grants and contributions and other revenues.

The primary functional expense of the District is instruction, which represents 51% of total expenses. Debt service represents 10% of total expenses, and the remaining individual functional categories of expenses are each less than 10% of total expenses.

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$100,515,336, an increase of \$56,448,701 in comparison with prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$21,113,965, while total fund balances reached \$38,150,284. As a measure of the general fund's liquidity, it may be useful to compare unassigned, assigned, committed fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30% of total general fund expenditures, while assigned fund balance represents 10%, committed fund balance represents 12%, and total fund balance represents 54% of that same amount. The fund balance of the District's general fund increased by \$6,488,226 during the current fiscal year. Increase in fund balance resulted from revenues exceeding projected amounts coupled with operating expenditures falling below budgeted expenditures.

The debt service fund has total fund balance of \$6,410,862, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance for the current year was \$861,053.

The capital projects fund has a total fund balance of \$54,403,532, all of which is restricted for authorized construction and technology projects/enhancements. The net increase in fund balance during the current year of \$50,471,928 was due to the issuance of bonds offset by related construction project expenditures.

**General Fund Budgetary Highlights**

The District adopted a surplus budget for fiscal year 2014. Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows: (000's)

	BUDGET	
	Original	Final
Total revenues	\$ 73,011	\$ 73,111
Total expenditures	(72,234)	(74,055)
Other sources and (uses)	5	298
Net change in fund balance	\$ 782	\$ (646)

There were no significant budget amendments affecting total budgeted revenues. The increase in final budgeted expenditures resulted primarily from budget amendments to increase facilities acquisition/capital outlay (\$1.3 million).

For fiscal year 2014, local and intermediate revenue sources did not have any significant variances between budgeted and actual amounts. As a result of increased average daily attendance and larger state funded TRS payments, state revenue exceeded budget estimates by approximately \$2.3 million. Additionally, federal revenues accounted for in the General Fund (SHARS revenues) exceeded the District's estimates by approximately \$800 thousand. Expenditures were less than



**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2014**

budgetary estimates by approximately \$3.6 million as utilization of contracted services, operating and other expenses and capital outlay was unilaterally less than budget. Overall, the general fund exceeded its final budget estimate by approximately \$7.1 million, resulting in an increase in general fund balance of approximately \$6.4 million for the year.

**Capital Assets**

The District's investment in capital assets for its governmental type activities, as of August 31, 2014, amounts to \$206,686,934 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total amount invested in capital assets for the current fiscal year was: (000's)

Capital Assets	2014
Land	\$ 7,962
Construction in progress	2,070
Buildings and improvements	271,120
Furniture and equipment	21,106
Library books and media	27
Total	302,285
Accumulated depreciation	(95,598)
Net capital assets	\$ 206,687

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

**Long-term Liabilities**

At the end of the current fiscal year, the District had \$274,623,778 in bonded debt outstanding, an increase of \$50,775,815 over the prior year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "A" and from Moody's Investors Service is "A1" for general obligation debt.

Changes in all long-term debt, for the year ended August 31, 2014, are as follows: (000's)

Outstanding 9/1/2013	Additions	Reductions	Outstanding 8/31/2014
\$ 233,763	\$ 83,974	\$ (32,115)	\$ 285,622

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2014, the current debt limitation for the District is \$273,785,078. The District's outstanding debt of \$274,623,778 less the reserve for the retirement of the debt of \$6,410,862 totals \$268,212,916 leaving a legal debt margin of \$5,572,162. Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

- Appraised value used for the 2014-2015 budget preparation was increased by \$300 million, or 9.3% from the previous year. This increase was due to an increase in construction of new homes.
- The Tax Rate for 2014-2015 is \$1.54 (\$1.04 for M&O; \$.50 for I&S), the same as 2013-2014.
- The 2014-2015 general fund operating budget projects spending \$7,646 per student.
- The District's 2014-2015 refined average daily attendance is expected to be 9,450, an increase of 2.4% from the previous year.

Dickinson ISD is classified as a 6A district and has grown consistently for the past several years. The District received a 'Superior' rating under the Financial Integrity Rating System of Texas for the twelfth consecutive year. In addition, the

## **DICKINSON INDEPENDENT SCHOOL DISTRICT**

### ***Management's Discussion and Analysis***

***August 31, 2014***

District was awarded the top rating, 'gold star', from the Comptroller of Texas. In the FAST system, established by the Comptroller, it was noted that the District has a "very low" spending index and accomplished a 4 STAR FAST rating, with 5 being the best.

The Board of Trustees called for an election for a \$56 million bond for the construction of two schools, a middle and an elementary school, in the upcoming year. The schools would be located on land currently owned by the District just west of I-45. The election was held on May 13, 2014 and passed by a substantial margin.

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

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

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

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

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

#### **Request for Information**

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

Data		Primary Government	
Control		Governmental	
Codes		Activities	
<hr/>			
ASSETS			
1110	Cash and Cash Equivalents	\$	81,079,127
1120	Current Investments		12,232,000
1220	Property Taxes Receivable (Delinquent)		4,355,531
1230	Allowance for Uncollectible Taxes		(1,992,461)
1240	Due from Other Governments		4,211,076
1267	Due from Fiduciary Funds		2,523
1290	Other Receivables, net		494,087
1300	Inventories		384,551
1410	Prepayments		1,768,898
Capital Assets:			
1510	Land		7,962,292
1520	Buildings, Net		189,683,367
1530	Furniture and Equipment, Net		6,947,253
1560	Library Books and Media, Net		23,931
1580	Construction in Progress		2,070,091
1910	Long Term Investments		7,665,000
			<hr/>
1000	Total Assets		316,887,266
<hr/>			
DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred Charge for Refunding		1,499,634
			<hr/>
1700	Total Deferred Outflows of Resources		1,499,634
<hr/>			
LIABILITIES			
2110	Accounts Payable		3,681,554
2160	Accrued Wages Payable		2,025,083
2177	Due to Fiduciary Funds		500
2180	Due to Other Governments		250
2200	Accrued Expenses		709,460
2300	Unearned Revenue		224,685
Noncurrent Liabilities			
2501	Due Within One Year		5,713,905
2502	Due in More Than One Year		279,909,081
			<hr/>
2000	Total Liabilities		292,264,518
<hr/>			
NET POSITION			
3200	Net Investment in Capital Assets		(19,566,484)
3820	Restricted for Federal and State Programs		840,402
3850	Restricted for Debt Service		6,420,170
3870	Restricted for Campus Activities		710,256
3900	Unrestricted		37,718,038
			<hr/>
3000	Total Net Position	\$	26,122,382

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	
	Expenses	Services	Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 52,166,206	\$ 631,540	\$ 6,279,007	\$ (45,255,659)
12 Instructional Resources and Media Services	995,938	21,375	40,277	(934,286)
13 Curriculum and Instructional Staff Development	595,016	7,125	288,585	(299,306)
21 Instructional Leadership	1,088,049	61,356	104,378	(922,315)
23 School Leadership	4,776,816	134,284	257,110	(4,385,422)
31 Guidance, Counseling and Evaluation Services	2,550,294	-	466,445	(2,083,849)
32 Social Work Services	92,829	-	4,510	(88,319)
33 Health Services	637,249	-	30,276	(606,973)
34 Student (Pupil) Transportation	4,113,533	-	133,419	(3,980,114)
35 Food Services	5,955,732	1,429,111	4,260,976	(265,645)
36 Extracurricular Activities	1,987,835	656,019	42,013	(1,289,803)
41 General Administration	2,707,820	-	89,421	(2,618,399)
51 Facilities Maintenance and Operations	9,160,145	36,267	212,594	(8,911,284)
52 Security and Monitoring Services	378,035	-	-	(378,035)
53 Data Processing Services	1,394,977	-	62,696	(1,332,281)
61 Community Services	410,757	188,908	4,062	(217,787)
72 Debt Service - Interest on Long Term Debt	9,408,134	-	2,136,050	(7,272,084)
73 Debt Service - Bond Issuance Cost and Fees	919,636	-	-	(919,636)
93 Payments to Fiscal Agent/Member Districts of SSA	1,980,211	-	47,222	(1,932,989)
95 Payments to Juvenile Justice Alternative Ed. Prg.	66,596	-	-	(66,596)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 101,385,808	\$ 3,165,985	\$ 14,459,041	(83,760,782)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	28,696,802
DT	Property Taxes, Levied for Debt Service	13,810,772
SF	State Aid - Formula Grants	41,789,822
GC	Grants and Contributions not Restricted	1,432,572
IE	Investment Earnings	55,996
MI	Miscellaneous Local and Intermediate Revenue	877,871
TR	Total General Revenues	86,663,835
CN	Change in Net Position	2,903,053
NB	Net Position - Beginning	23,219,329
NE	Net Position--Ending	\$ 26,122,382

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

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DICKINSON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 35,151,008	\$ 6,224,462	\$ 35,890,504
1120 Investments - Current	-	-	12,232,000
1220 Property Taxes - Delinquent	3,290,180	1,065,351	-
1230 Allowance for Uncollectible Taxes (Credit)	(1,505,110)	(487,351)	-
1240 Receivables from Other Governments	3,315,160	186,400	-
1260 Due from Other Funds	408,313	-	342,165
1290 Other Receivables	368,273	-	-
1300 Inventories	240,633	-	-
1410 Prepayments	1,746,324	-	22,574
1900 Other Assets	-	-	7,665,000
1000 Total Assets	<u>\$ 43,014,781</u>	<u>\$ 6,988,862</u>	<u>\$ 56,152,243</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 1,104,456	\$ -	\$ 1,748,711
2160 Accrued Wages Payable	1,954,113	-	-
2170 Due to Other Funds	10,500	-	-
2180 Due to Other Governments	-	-	-
2300 Unearned Revenues	10,358	-	-
2000 Total Liabilities	<u>3,079,427</u>	<u>-</u>	<u>1,748,711</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	<u>1,785,070</u>	<u>578,000</u>	<u>-</u>
2600 Total Deferred Inflows of Resources	<u>1,785,070</u>	<u>578,000</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	240,632	-	-
3430 Prepaid Items	1,746,324	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	54,403,532
3480 Retirement of Long-Term Debt	-	6,410,862	-
Committed Fund Balance:			
3510 Construction	6,000,000	-	-
3530 Capital Expenditures for Equipment	500,000	-	-
3545 Other Committed Fund Balance	1,800,000	-	-
Assigned Fund Balance:			
3550 Construction	500,000	-	-
3570 Capital Expenditures for Equipment	340,000	-	-
3580 Self-Insurance	300,000	-	-
3590 Other Assigned Fund Balance	5,609,363	-	-
3600 Unassigned Fund Balance	21,113,965	-	-
3000 Total Fund Balances	<u>38,150,284</u>	<u>6,410,862</u>	<u>54,403,532</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 43,014,781</u>	<u>\$ 6,988,862</u>	<u>\$ 56,152,243</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,358,484	\$ 79,624,458
-	12,232,000
-	4,355,531
-	(1,992,461)
709,516	4,211,076
-	750,478
125,814	494,087
143,918	384,551
-	1,768,898
-	7,665,000
<u>\$ 3,337,732</u>	<u>\$ 109,493,618</u>
\$ 827,279	\$ 3,680,446
70,970	2,025,083
737,955	748,455
250	250
150,620	160,978
<u>1,787,074</u>	<u>6,615,212</u>
-	2,363,070
<u>-</u>	<u>2,363,070</u>
44,872	285,504
-	1,746,324
795,530	795,530
-	54,403,532
-	6,410,862
-	6,000,000
-	500,000
710,256	2,510,256
-	500,000
-	340,000
-	300,000
-	5,609,363
-	21,113,965
<u>1,550,658</u>	<u>100,515,336</u>
<u>\$ 3,337,732</u>	<u>\$ 109,493,618</u>

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DICKINSON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 100,515,336</b>
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$302,285,589 and the accumulated depreciation is \$95,598,655. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position. (See Note 6.)	206,686,934
<b>2</b> Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. The effect of these long-term liabilities is a decrease to net position. (See Note 7.)	(285,622,986)
<b>3</b> Recognizing deferred revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position.	2,363,070
<b>4</b> The District uses internal service funds to charge the costs of self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.	680,394
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions and recognizing the bond components associated with outstanding debt. Deferred charges on refundings are not financial resources and therefore, are not reported in governmental funds. Deferred charges are amortized over the life of the debt. The net effect is an increase to net position.	1,499,634
<b>19 Net Position of Governmental Activities</b>	<u><u>\$ 26,122,382</u></u>

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 29,900,341	\$ 13,873,789	\$ 17,966
5800 State Program Revenues	44,915,751	1,844,309	-
5900 Federal Program Revenues	1,543,733	291,741	-
5020 Total Revenues	76,359,825	16,009,839	17,966
EXPENDITURES:			
Current:			
0011 Instruction	41,246,097	-	-
0012 Instructional Resources and Media Services	851,945	-	-
0013 Curriculum and Instructional Staff Development	229,207	-	-
0021 Instructional Leadership	840,119	-	-
0023 School Leadership	4,010,335	-	-
0031 Guidance, Counseling and Evaluation Services	1,866,859	-	-
0032 Social Work Services	81,135	-	-
0033 Health Services	556,973	-	-
0034 Student (Pupil) Transportation	4,086,487	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,318,786	-	-
0041 General Administration	2,374,372	-	-
0051 Facilities Maintenance and Operations	7,981,904	-	-
0052 Security and Monitoring Services	330,113	-	-
0053 Data Processing Services	1,282,498	-	-
0061 Community Services	355,205	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	2,094,185	-
0072 Interest on Long Term Debt	-	12,812,713	-
0073 Bond Issuance Cost and Fees	-	1,439,285	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,018,457	-	5,546,038
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	1,932,989	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	66,596	-	-
6030 Total Expenditures	70,430,077	16,346,183	5,546,038
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	5,929,748	(336,344)	(5,528,072)
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	23,360,000	-
7911 Capital Related Debt Issued (Regular Bonds)	-	-	54,755,000
7912 Sale of Real and Personal Property	260,054	-	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	4,288,247	1,245,000
7917 Prepaid Interest	-	121,553	-
7949 Other Resources	300,000	-	-
8911 Transfers Out (Use)	(1,576)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(26,572,403)	-
7080 Total Other Financing Sources (Uses)	558,478	1,197,397	56,000,000
1200 Net Change in Fund Balances	6,488,226	861,053	50,471,928
0100 Fund Balance - September 1 (Beginning)	31,662,058	5,549,809	3,931,604
3000 Fund Balance - August 31 (Ending)	\$ 38,150,284	\$ 6,410,862	\$ 54,403,532

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	2,762,285	\$	46,554,381
	1,319,383		48,079,443
	7,766,518		9,601,992
	11,848,186		104,235,816
	4,666,585		45,912,682
	18,532		870,477
	290,853		520,060
	110,865		950,984
	167,048		4,177,383
	362,167		2,229,026
	-		81,135
	-		556,973
	968		4,087,455
	5,277,253		5,277,253
	418,635		1,737,421
	509		2,374,881
	2,417		7,984,321
	300		330,413
	-		1,282,498
	3,808		359,013
	-		2,094,185
	-		12,812,713
	-		1,439,285
	1,855,106		8,419,601
	47,222		1,980,211
	-		66,596
	13,222,268		105,544,566
	(1,374,082)		(1,308,750)
	-		23,360,000
	-		54,755,000
	-		260,054
	1,576		1,576
	-		5,533,247
	-		121,553
	-		300,000
	-		(1,576)
	-		(26,572,403)
	1,576		57,757,451
	(1,372,506)		56,448,701
	2,923,164		44,066,635
\$	1,550,658	\$	100,515,336

DICKINSON INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 56,448,701
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2014 capital outlays is an increase to net position. (See Note 6.)	9,311,093
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(11,347,599)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. The net effect is to decrease net position. (See Note 7.)	(51,859,986)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.	572,259
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(221,415)
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 2,903,053</u></u>

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2014

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,454,669
Total Assets	<u>1,454,669</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	1,108
Accrued Expenses	709,460
Unearned Revenues	<u>63,707</u>
Total Liabilities	<u>774,275</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>680,394</u>
Total Net Position	<u><u>\$ 680,394</u></u>

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 968,186
Total Operating Revenues	<u>968,186</u>
OPERATING EXPENSES:	
Professional and Contracted Services	254,518
Other Operating Costs	<u>142,979</u>
Total Operating Expenses	<u>397,497</u>
Operating Income	<u>570,689</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	<u>1,570</u>
Total Nonoperating Revenues (Expenses)	<u>1,570</u>
Change in Net Position	572,259
Total Net Position - September 1 (Beginning)	<u>108,135</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 680,394</u></u>

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 984,499
Cash Payments for Other Operating Expenses	(356,020)
Net Cash Provided by Operating Activities	<u>628,479</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>1,570</u>
Net Increase in Cash and Cash Equivalents	630,049
Cash and Cash Equivalents at Beginning of Year	<u>824,620</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,454,669</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 570,689
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	7,937
Increase (decrease) in Accounts Payable	35
Increase (decrease) in Accrued Expenses	33,505
Increase (decrease) in Deferred Revenues	<u>16,313</u>
Net Cash Provided by Operating Activities	<u><u>\$ 628,479</u></u>

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2014

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 150,781
Due from Other Funds	500
Other Receivables	3,947
	<hr/>
Total Assets	\$ 155,228
	<hr/>
LIABILITIES	
Accounts Payable	\$ 8,393
Accrued Wages Payable	300
Due to Other Funds	2,523
Due to Student Groups	143,969
Payable from Restricted Assets	43
	<hr/>
Total Liabilities	\$ 155,228
	<hr/>

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



**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

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

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

**Fund Accounting**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Governmental Funds**

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

The District reports the following major governmental fund types:

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

**Proprietary Fund**

The District utilizes internal service fund accounts for workers' compensation services provided to other funds and/or employees of the District on a cost reimbursement basis. Proprietary funds distinguish operating revenue and expense from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds for self-funded workers' compensation services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. The District continues to fully provide for incurred but not reported costs for workers' compensation claims through the establishment of undiscounted liability accounts. As of August 31, 2014, undiscounted liabilities totaled \$774,275 and net position (deficit) of the workers' compensation fund totaled \$680,394. See Note 15 for additional discussion of the District's self-insurance plan.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

**Fiduciary Funds**

The District utilizes *agency funds* to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources of agency funds are recorded as assets and liabilities; therefore,

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

those funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

**Measurement Focus**

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

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

**Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions**

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

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

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

**Deferred or Unearned Revenues**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance fiscal year 2014 operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements.

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

**Expenses/Expenditures**

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

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

**Budgetary Data**

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

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

- a) Prior to August 20, the District prepares an operating budget for the next succeeding fiscal year beginning September 1. The budget includes proposed expenditures and the means of financing them.
- b) A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day’s public notice of the meeting must be given.
- c) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.
- d) Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
- e) Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

**Deposits and Investments**

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

Investments for the District are reported at fair value based on quoted market prices at August 31, 2014. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Inter-fund Assets/Liabilities**

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

**Capital Assets**

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

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

Assets	Years
Buildings	30
Building improvements	5-22
Portable buildings	9
Building equipment	12-30
Vehicles	5-7
Office equipment	5-7
Computer equipment	5-6
Buses	8-10
Network infrastructure	8-10

**Deferred Expenditures/Expenses**

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

**Inventories**

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Governmental fund inventories are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations.

**Long-Term Obligations**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

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

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

**Compensated Absences**

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

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, financial statements will include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred charge on refunding in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable property tax revenue in the fund financial statements.

**Net Position**

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

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

**Fund Balance**

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

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

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

**Use of Estimates**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Data Control Codes**

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

**3. DEPOSITS AND INVESTMENTS**

A summary of the District's cash and investments at August 31, 2014 is shown below:

	Cash and Deposits	Investment Pools	Total Cash & Cash Equivalents	Investments	Total Cash & Investments
Governmental funds:					
General fund	\$ 3,311,136	\$ 31,839,872	\$ 35,151,008	\$ -	\$ 35,151,008
Debt service fund	211,569	6,012,893	6,224,462	-	6,224,462
Capital projects fund	629,657	35,260,847	35,890,504	19,897,000	55,787,504
Nonmajor governmental funds	1,030,049	1,328,435	2,358,484	-	2,358,484
Total governmental funds	5,182,411	74,442,047	79,624,458	19,897,000	99,521,458
Proprietary funds	64,972	85,809	150,781	-	150,781
Fiduciary funds	1,254,170	200,499	1,454,669	-	1,454,669
Total cash and investments	\$ 6,501,553	\$ 74,728,355	\$ 81,229,908	\$ 19,897,000	\$ 101,126,908

As of August 31, 2014, the District had the following investments:

	Cost	Fair Value	Investment Maturity in Years	
			Less Than 1 Year	1-2 Years
Cash in bank	\$ 6,501,553	\$ 6,501,553	\$ 6,501,553	\$ -
Local government investment pools:				
TexasCLASS	35,963,828	35,963,828	35,963,828	-
LOGIC	2,006,617	2,006,617	2,006,617	-
TexPool	1,213,610	1,213,610	1,213,610	-
TexSTAR	283,453	283,453	283,453	-
TexasDAILY	35,260,847	35,260,847	35,260,847	-
Cash and cash equivalents - subtotal	74,728,355	74,728,355	74,728,355	-
TexasTERM	10,000,000	10,000,000	10,000,000	-
TexasTERM CD Purchase Program	9,897,000	9,897,000	2,232,000	7,665,000
Investments - subtotal	19,897,000	19,897,000	12,232,000	7,665,000
Total cash and investments	\$ 101,126,908	\$ 101,126,908	\$ 93,461,908	\$ 7,665,000

**Deposits**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and depository bank's agent bank. The pledged securities are approved by the TEA and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At August 31, 2014, the carrying amount of the District's deposits (cash) was \$6,501,553 and the bank balance was \$7,463,703. The District's cash deposits at August 31, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.



**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Investments**

The Public Funds Investment Act (Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) securities lending programs, (6) repurchase agreements, (7) bankers acceptances, (8) mutual funds, (9) investment pools, and (10) guaranteed investment contracts.

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

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

The District’s investment in TexasTERM is a fixed-rate, fixed-term portfolio rated AAAs by Standard & Poor’s, that enables investors to lock in a fixed rate for a term of 60 days to 365 days. The District also participates in the TexasTERM Certificate of Deposit Purchase Program (CDPP), a fixed-rate, fixed-term investment option enabling investors to invest in FDIC-insured CDs from banks throughout the United States. Participants may lock in a rate for a term of 90 days to 365 days (or longer). Each CD investment is held in the name of the participant. At August 31, 2014, the District’s investment in CDPP was entirely covered by FDIC insurance.

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

**Credit Risk**

State law and the District’s investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2014, the District’s investment in TexasCLASS, TexPool, TexSTAR, and TexasDAILY are rated AAAs and LOGIC is rated AAA by Standard and Poor’s.

**Custodial Credit Risk**

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

At year end, the District was not exposed to credit risk.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Concentration of Credit Risk**

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's investment of \$35,963,828 in TexasCLASS represents 36%, \$35,260,847 in TexasDAILY represents 35% and \$19,897,000 in TexasTERM represents 20% of the District's total cash and investments.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within the legal limits. The weighted average maturity for the District's investment in external investment pools is less than 60 days. Maturity in the TexasTERM CDPP ranged from 180 days to 665 days.

**4. RECEIVABLES**

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 1,844,355	\$ 684,762	\$ -	\$ 2,529,117
Property taxes - penalty & interest	1,445,825	380,589	-	1,826,414
Subtotal - property taxes	3,290,180	1,065,351	-	4,355,531
Due from other governments	3,315,160	186,400	709,516	4,211,076
Other	368,273	-	125,814	494,087
Gross receivables	6,973,613	1,251,751	835,330	9,060,694
Less: allowance for doubtful accounts	(1,505,110)	(487,351)	-	(1,992,461)
Total net receivables	\$ 5,468,503	\$ 764,400	\$ 835,330	\$ 7,068,233

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

	Unavailable	Unearned	Total
Delinquent property taxes (General Fund)	\$ 1,785,070	\$ -	\$ 1,785,070
Delinquent property taxes (Debt Service Fund)	578,000	-	578,000
State entitlements received prior to meeting all eligibility requirements (General Fund)	-	10,358	10,358
Grant funds received prior to meeting all eligibility requirements (Nonmajor Governmental Funds)	-	150,620	150,620
Total unearned revenues	\$ 2,363,070	\$ 160,978	\$ 2,524,048

**Property Taxes**

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll, upon which the levy for the 2013-14 fiscal year was based, was \$2.650 billion.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

The tax rates assessed for the year ended August 31, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt, were \$1.04 and \$.50 per \$100 valuation, respectively, for a total of \$1.540 per \$100 valuation.

Current tax collections for the year ended August 31, 2014 were 98% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The property taxes receivable allowance is equal to approximately 46% of outstanding property taxes receivable at August 31, 2014. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Uncollectible personal property taxes are periodically reviewed and written off. Under Sec. 3305 of the Texas Property Code, the District can cancel and remove from the delinquent tax roll, tax on real property that has been delinquent for more than 20 years or tax on personal property that has been delinquent for more than 10 years if there is no pending litigation concerning the delinquent taxes at the time of cancellation and removal.

**Due from Other Governments**

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

In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported in the financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other	Total
General	\$ 2,622,875	\$ 679,923	\$ 12,362	\$ 3,315,160
Debt Service Fund	180,780	-	5,620	186,400
Nonmajor Governmental Funds	<u>191,806</u>	<u>447,980</u>	<u>69,730</u>	<u>709,516</u>
Total	<u>\$ 2,995,461</u>	<u>\$ 1,127,903</u>	<u>\$ 87,712</u>	<u>\$ 4,211,076</u>

**5. INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Inter-fund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. The composition of inter-fund balances as of August 31, 2014, is as follows:

Fund	Receivable	Payable
General Fund:		
Capital Projects Fund	\$ -	\$ 10,000
Nonmajor Governmental Funds	405,790	-
Trust & Agency Funds	2,523	500
Capital Projects		
General Fund	\$ 10,000	\$ -
Nonmajor Governmental Funds	332,165	-
Trust & Agency Funds:		
General Fund	\$ 500	\$ 2,523
Nonmajor Governmental Funds:		
General Fund	\$ -	\$ 405,790
Capital Projects Fund	-	332,165

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

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

**6. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2014 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,945,641	\$ 1,016,651	\$ -	\$ -	\$ 7,962,292
Construction in progress	-	2,070,091	-	-	2,070,091
Total Capital Assets, not depreciated	6,945,641	3,086,742	-	-	10,032,383
Capital assets, being depreciated:					
Buildings and improvements	266,781,903	5,195,286	(857,653)	-	271,119,536
Furniture and equipment	20,686,229	1,029,065	(608,883)	-	21,106,411
Library books and media	27,259	-	-	-	27,259
Total Capital Assets, being depreciated	287,495,391	6,224,351	(1,466,536)	-	292,253,206
Less accumulated depreciation for:					
Buildings and improvements	(73,106,813)	(9,099,457)	770,101	-	(81,436,169)
Furniture and equipment	(11,929,737)	(2,245,416)	15,995	-	(14,159,158)
Library books and media	(602)	(2,726)	-	-	(3,328)
Total accumulated depreciation	(85,037,152)	(11,347,599)	786,096	-	(95,598,655)
Capital assets, net	\$ 209,403,880	\$ (2,036,506)	\$ (680,440)	\$ -	\$ 206,686,934

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 6,617,372
12	Instructional resources and media services	125,461
13	Curriculum and instructional staff development	74,956
21	Instructional leadership	137,065
23	School leadership	602,084
31	Guidance, counseling, & evaluation services	321,268
32	Social work services	11,694
33	Health services	80,276
34	Student (pupil) transportation	589,123
35	Food services	760,608
36	Extracurricular activities	250,414
41	General administration	342,290
51	Facilities maintenance and operations	1,150,776
52	Security and monitoring services	47,622
53	Data processing services	184,846
61	Community services	51,744
Total depreciation expense - governmental activities		<u>\$ 11,347,599</u>

**7. LONG-TERM LIABILITIES**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

Long-term liabilities include par bonds and capital appreciation (deep discount) serial bonds. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2014, the current debt limitation for the District is \$273,785,078. The District's outstanding debt of \$274,623,778 less the reserve for the retirement of the debt of \$6,410,862 totals \$268,212,916 leaving a legal debt margin of \$5,572,162.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2014.

**General Obligation Bonds**

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

Description	Interest Rate Payable	Maturity Date	Original Issue	Outstanding August 31, 2014
Unlimited tax schoolhouse & refunding bonds, series 2000	5.40-6.05%	02/15/28	\$ 26,297,916	\$ 14,298,778
Unlimited tax schoolhouse & refunding bonds, series 2005	3.25-5.00%	02/15/30	50,842,899	22,200,000
Unlimited tax schoolhouse bonds, series 2006	4.00-5.00%	02/15/32	54,500,000	54,295,000
Unlimited tax schoolhouse bonds, series 2008	4.625-4.75%	02/15/33	30,000,000	30,000,000
Unlimited tax schoolhouse & refunding bonds, series 2010A	2.00-4.25%	02/15/34	22,120,000	17,775,000
Unlimited tax schoolhouse bonds, taxable series 2010B	5.941-6.011%	02/15/38	30,000,000	30,000,000
Variable rate unlimited tax refunding bonds, series 2013	Variable	08/01/37	27,940,000	27,940,000
Unlimited tax refunding bonds, series 2013	1.875-5.00%	02/15/30	23,360,000	23,360,000
Unlimited tax schoolhouse bonds, series 2014	4.00-5.00%	02/15/44	54,755,000	54,755,000
			<u>\$ 319,815,815</u>	<u>\$ 274,623,778</u>

*Variable Rate Terms* – On July 31, 2013, outstanding bonds totaling \$27,940,000 were remarketed to a term rate (1.50%) for a period of two years through August 1, 2015. Thereafter, the bonds will bear interest in a mode and at a rate determined by the remarketing agent (JP Morgan Securities LLC) and may change at the District's option from time to time to (a) a weekly or term rate of a different duration or (b) a flexible rate not to exceed the lesser of (i) 7% per annum, or (ii) the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended. In addition, at the option of the District, the bonds bearing interest at a variable rate or flexible rate may be converted in whole or in part to a fixed rate to their maturity.

The District issued \$23,360,000 in Unlimited Tax Refunding Bonds, Series 2013 in December 2013 to refund \$25,245,000 of the outstanding Unlimited Tax Schoolhouse and Refunding Bonds, Series 2005. The bonds were issued at a premium of \$3,452,916 and issuance costs of \$236,830. The bonds bear interest from 1.875% to 5% and are due in annual installments ranging from \$980,000 to \$2,390,000 through February 15, 2030. As a result of the refunding, the District reduced its total debt service requirements by \$2,842,625 and realized a present value savings of \$2,201,212.

In August 2014, the District issued Unlimited Tax Schoolhouse Bonds, Series 2014 totaling \$54,755,000. The bonds were issued at a net premium of \$2,080,331 and issuance costs of \$667,896. The bonds bear interest from 4.0% to 5.0% and are due in annual installments ranging from \$105,000 to \$4,955,000 through February 15, 2044. Proceeds from the sale of the bonds will be used (i) for the construction, acquisition and equipment of school facilities, (ii) the purchase of the necessary sites for school facilities, (iii) the purchase of new school buses, and (iv) to pay costs of issuance related to the bonds.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2014:

	Beginning			Ending	Due within
	Balance	Additions	Deletions	Balance	one year
Bonds payable:					
Unlimited tax schoolhouse & refunding bonds, series 2000	\$ 14,812,963	\$ -	\$ (514,185)	\$ 14,298,778	\$ 480,213
Unlimited tax schoolhouse & refunding bonds, series 2005	48,475,000	-	(26,275,000)	22,200,000	2,300,000
Unlimited tax schoolhouse bonds, series 2006	54,380,000	-	(85,000)	54,295,000	1,985,000
Unlimited tax schoolhouse bonds, series 2008	30,000,000	-	-	30,000,000	-
Unlimited tax schoolhouse & refunding bonds, series 2010A	18,240,000	-	(465,000)	17,775,000	380,000
Unlimited tax schoolhouse bonds, taxable series 2010B	30,000,000	-	-	30,000,000	-
Variable rate unlimited tax refunding bonds, series 2013	27,940,000	-	-	27,940,000	-
Unlimited tax refunding bonds, series 2013	-	23,360,000	-	23,360,000	-
Unlimited tax schoolhouse bonds, series 2014	-	54,755,000	-	54,755,000	-
	<u>223,847,963</u>	<u>78,115,000</u>	<u>(27,339,185)</u>	<u>274,623,778</u>	<u>5,145,213</u>
Deferred amounts:					
Accrued interest	730,550	-	(161,858)	568,692	568,692
Accumulated accretion on capital appreciation bonds	5,710,063	320,839	(3,225,815)	2,805,087	-
Premium on issuance of bonds	3,866,685	5,533,247	(1,391,184)	8,008,748	-
Discount on issuance of bonds	(511,432)	-	35,490	(475,942)	-
Total bonds payable	<u>233,643,829</u>	<u>83,969,086</u>	<u>(32,082,552)</u>	<u>285,530,363</u>	<u>5,713,905</u>
Other liabilities:					
Compensated absences	119,171	5,346	(31,894)	92,623	-
Total other liabilities	<u>119,171</u>	<u>5,346</u>	<u>(31,894)</u>	<u>92,623</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 233,763,000</u>	<u>\$ 83,974,432</u>	<u>\$ (32,114,446)</u>	<u>\$ 285,622,986</u>	<u>\$ 5,713,905</u>

Debt service requirements to maturity are as follows:

Year Ended	General Obligations Bonds		Total
August 31,	Principal	Interest	Requirements
2015	\$ 5,145,213	\$ 12,793,422	\$ 17,938,635
2016	5,358,565	13,521,493	18,880,058
2017	6,700,000	12,581,796	19,281,796
2018	7,010,000	12,268,001	19,278,001
2019	7,345,000	11,936,400	19,281,400
2020-2024	40,900,000	55,493,183	96,393,183
2025-2029	52,280,000	44,095,788	96,375,788
2030-2034	66,965,000	28,514,982	95,479,982
2035-2039	60,010,000	11,436,955	71,446,955
2040-2044	<u>22,910,000</u>	<u>2,364,000</u>	<u>25,274,000</u>
	<u>\$ 274,623,778</u>	<u>\$ 205,006,020</u>	<u>\$ 479,629,798</u>

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Accreted Interest on Capital Appreciation Bonds**

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

The interest on these obligations will be paid upon maturity in the fiscal years ending 2015-2025. The values associated with these bonds are reflected in the following table:

	Maturity Value of Bonds	Stated Bond Principal Amount	Accreted Interest on Bonds	Accreted Value of Bond at Year-End
Unlimited tax schoolhouse & refunding bonds, series 2000	\$ 2,290,000	\$ 928,778	\$ 1,229,993	\$ 2,158,771
Unlimited tax schoolhouse bonds, series 2008	3,730,000	690,000	1,575,094	2,265,094
Total	<u>\$ 6,020,000</u>	<u>\$ 1,618,778</u>	<u>\$ 2,805,087</u>	<u>\$ 4,423,865</u>

**Prior Years' Refunding of Long-term Debt**

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2014, \$43,205,000 of previously refunded debt outstanding was considered defeased.

**Arbitrage**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it has no arbitrage liability as of August 31, 2014.

**8. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Local Real & Personal Property Taxes	\$ 28,891,704	\$ 13,864,395	\$ -	\$ -	\$ 42,756,099
Shared Services Arrangements	-	-	-	587,381	587,381
Earnings from Deposits & Investments	37,902	9,394	5,234	1,896	54,426
Campus Activities	-	-	-	712,504	712,504
Athletic Activities	206,391	-	-	-	206,391
Food Service Activity	-	-	-	1,390,218	1,390,218
Miscellaneous & Other Revenues	764,344	-	12,732	70,286	847,362
	<u>\$ 29,900,341</u>	<u>\$ 13,873,789</u>	<u>\$ 17,966</u>	<u>\$ 2,762,285</u>	<u>\$ 46,554,381</u>

The District receives approximately 46% of total governmental revenues from the State of Texas.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**9. GENERAL AND DEBT SERVICE FUNDS FEDERAL REVENUE SOURCES**

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

	General Fund	Debt Service Fund	Total
Medicaid administrative claiming	\$ 55,908	\$ -	\$ 55,908
Medicaid SHARS	1,153,431	-	1,153,431
E-Rate/Fuel rebate reimbursement	277,032	-	277,032
ROTC	57,362	-	57,362
IRS credit payment (Build America Bonds)	-	291,741	291,741
	<u>\$ 1,543,733</u>	<u>\$ 291,741</u>	<u>\$ 1,835,474</u>

**10. OPERATING LEASE**

Commitments under operating lease (non-capitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of August 31, 2014. Rental expenditures for the year ended August 31, 2014 approximated \$294,000.

**11. PENSION PLAN**

*Plan Description.* The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the [TRS Internet website](#) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements, if as a result of a 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 2014 – 2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Year	Contribution Rates and Contribution Amounts				Statutory Minimum
	Member		State		
	Rate	Amount	Rate	Amount	
8/31/2014	6.40%	\$ 3,385,581	6.800%	\$ 2,619,395	\$ 667,131
8/31/2013	6.40%	3,197,389	6.400%	2,319,272	546,564
8/31/2012	6.40%	3,108,526	6.000%	2,068,864	483,715

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



**DICKINSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**12. RETIREE HEALTH PLAN**

*Plan Description.* The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The 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](#) under the TRS Publications heading, by calling the TRS Communications Departments at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Funding for optional coverage is provided by those participants selecting the optional coverage. 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. Contribution rates and amounts are shown in the table below for the fiscal years 2014 – 2012.

Year	Contribution Rates and Contribution Amounts					
	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
8/31/2014	0.65%	\$ 343,849	100%	\$ 528,997	0.55%	\$ 290,948
8/31/2013	0.65%	324,738	0.50%	252,812	0.55%	274,777
8/31/2012	0.65%	315,715	100%	430,205	0.55%	267,144

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

**13. MEDICARE PART D – ON BEHALF PAYMENTS**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments made on behalf of the District for fiscal years 2014, 2013, and 2012 were \$136,923 \$130,725, and \$122,775 respectively.

**14. OTHER POST EMPLOYMENT BENEFITS**

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

**15. RISK MANAGEMENT**

**General**

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

In addition, the District is a member of the Texas Association of School Boards Joint Account Self-Insurance Fund (Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

loss control program. The District pays contributions to the Fund for its general and educators' liability coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts.

**Health Insurance**

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

**Unemployment Compensation Pool**

During the year ended August 31, 2014, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year (August 31). The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**Workers' Compensation**

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

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$225,000 up to the statutory limits for any given claim. The following is a summary of the change in the balance of claims liabilities for workers' compensation for the years ended August 31, 2013, and 2014, respectively:

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2013	572,884	346,991	243,920	675,955
2014	675,955	201,823	168,318	709,460

**16. CONTINGENT LIABILITIES**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

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

**17. ENCUMBRANCES AND COMMITMENTS**

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means when a purchase order is prepared, the appropriate accounts are checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes.

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

At August 31, 2014, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

Encumbrances Included in the Following Fund Balance:				
Fund	Restricted	Assigned	Committed	Total
General	\$ -	\$ 3,609,363	\$ -	\$ 3,609,363
Capital Projects	1,487,389	-	-	1,487,389
Nonmajor Governmental Funds	13,162	-	5,048	18,210
Total	<u>\$ 1,500,551</u>	<u>\$ 3,609,363</u>	<u>\$ 5,048</u>	<u>\$ 5,114,962</u>

**18. SHARED SERVICE ARRANGEMENTS / JOINT VENTURES**

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

Texas City Independent School District	\$ 22,959
La Marque Independent School District	6,507
Galveston Independent School District	20,804
Clear Creek Independent School District	2,238
Friendswood Independent School District	4,393
	<u>56,901</u>
Galveston County (mandatory placement by judicial system)	103,508
	<u>\$ 160,409</u>

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

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

Dickinson Independent School District	\$ 42,623
Texas City Independent School District	30,727
La Marque Independent School District	15,077
Santa Fe Independent School District	18,532
Galveston Independent School District	340,484
Friendswood Independent School District	13,103
	<u>\$ 460,546</u>

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides disciplinary alternative education services for students within Galveston County. All services are provided by the fiscal agent. Galveston County provides the funds to the fiscal agent. The District also receives funding from the State of Texas based on student attendance data. The District accounts for the program in Fund No. 181, which is combined with the District’s General Fund for financial statement presentation. Expenditures of the SSA are summarized below:

Galveston County (mandatory placement by judicial system)	\$ 103,286
Dickinson Independent School District (Per Capita Apportionment)	94,279
	<u>\$ 197,565</u>

**19. CONSTRUCTION COMMITMENTS**

At August 31, 2014, the District had commitments under construction contracts totaling approximately \$3.7 million.

**20. RELATED ORGANIZATIONS**

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

**21. INSTRUCTIONAL MATERIALS ALLOTMENT**

In May 2011, Senate Bill 6 repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under IMA, instructional material purchases must be made through TEA’s online requisition system. Instructional materials purchased from IMA totaling \$1,129,170 are recorded as revenues and expenditures/expenses in the financial statements.

**22. SUBSEQUENT EVENTS**

In December 2014, the District issued \$63,505,000 in Unlimited Tax Refunding Bonds, Series 2014 to refund \$70,440,000 of the outstanding Unlimited Tax Schoolhouse and Refunding Bonds, Series 2005 and Unlimited Tax Schoolhouse Bonds, Series 2006. The bonds were issued at a net premium of \$11,477,751 and issuance costs of \$603,120. The bonds bear interest at 5% and are due in annual installments ranging from \$1,500,000 to \$5,075,000 through February 15, 2032. As a result of this refunding, the District reduced its total debt service requirements by \$8,242,161 and realized a present value savings of \$7,681,606.

The District has evaluated subsequent events through December 1, 2014, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 29,766,311	\$ 29,866,117	\$ 29,900,341	\$ 34,224
5800	State Program Revenues	42,649,608	42,649,608	44,915,751	2,266,143
5900	Federal Program Revenues	595,000	595,000	1,543,733	948,733
5020	Total Revenues	73,010,919	73,110,725	76,359,825	3,249,100
EXPENDITURES:					
Current:					
0011	Instruction	41,307,396	41,458,633	41,246,097	212,536
0012	Instructional Resources and Media Services	832,561	902,535	851,945	50,590
0013	Curriculum and Instructional Staff Development	283,266	284,482	229,207	55,275
0021	Instructional Leadership	848,269	901,640	840,119	61,521
0023	School Leadership	4,007,286	4,049,248	4,010,335	38,913
0031	Guidance, Counseling and Evaluation Services	1,862,197	1,912,697	1,866,859	45,838
0032	Social Work Services	88,054	108,054	81,135	26,919
0033	Health Services	581,822	609,372	556,973	52,399
0034	Student (Pupil) Transportation	4,388,261	4,390,902	4,086,487	304,415
0036	Extracurricular Activities	1,621,601	1,608,808	1,318,786	290,022
0041	General Administration	2,715,548	2,719,669	2,374,372	345,297
0051	Facilities Maintenance and Operations	8,482,748	8,552,530	7,981,904	570,626
0052	Security and Monitoring Services	410,300	400,852	330,113	70,739
0053	Data Processing Services	1,350,357	1,402,686	1,282,498	120,188
0061	Community Services	487,106	487,140	355,205	131,935
Capital Outlay:					
0081	Facilities Acquisition and Construction	340,000	1,640,000	1,018,457	621,543
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	2,457,449	2,455,849	1,932,989	522,860
0095	Payments to Juvenile Justice Alternative Ed. Prg.	170,000	170,000	66,596	103,404
6030	Total Expenditures	72,234,221	74,055,097	70,430,077	3,625,020
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	776,698	(944,372)	5,929,748	6,874,120
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	5,000	5,000	260,054	255,054
7949	Other Resources	-	295,000	300,000	5,000
8911	Transfers Out (Use)	-	(1,600)	(1,576)	24
7080	Total Other Financing Sources (Uses)	5,000	298,400	558,478	260,078
1200	Net Change in Fund Balances	781,698	(645,972)	6,488,226	7,134,198
0100	Fund Balance - September 1 (Beginning)	31,662,058	31,662,058	31,662,058	-
3000	Fund Balance - August 31 (Ending)	\$ 32,443,756	\$ 31,016,086	\$ 38,150,284	\$ 7,134,198

**DICKINSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AUGUST 31, 2014**

Compliance

**Budgetary Information**

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available or estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2014.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2013. The budget was adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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



## **COMBINING SCHEDULES**

DICKINSON INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 1,429,016
1240	Receivables from Other Governments	146,741	151,656	120	103,648
1290	Other Receivables	800	-	-	40,228
1300	Inventories	-	-	-	143,918
1000	Total Assets	<u>\$ 147,541</u>	<u>\$ 151,656</u>	<u>\$ 120</u>	<u>\$ 1,716,810</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 11,722	\$ 15,948	\$ -	\$ 376,540
2160	Accrued Wages Payable	-	2,609	-	68,361
2170	Due to Other Funds	135,819	133,099	120	332,461
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	99,046
2000	Total Liabilities	<u>147,541</u>	<u>151,656</u>	<u>120</u>	<u>876,408</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	44,872
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	795,530
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>840,402</u>
4000	Total Liabilities and Fund Balances	<u>\$ 147,541</u>	<u>\$ 151,656</u>	<u>\$ 120</u>	<u>\$ 1,716,810</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	286 Title I SIP Academy Grant ARRA	288 Bilingual Summer School	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,700	\$ 213,084	\$ 2,660
-	29,137	16,678	-	-	-	191,806	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 29,137</u>	<u>\$ 16,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,700</u>	<u>\$ 404,890</u>	<u>\$ 2,660</u>
\$ -	\$ 117	\$ 84	\$ -	\$ -	\$ -	\$ 404,890	\$ -
-	-	-	-	-	-	-	-
-	29,020	16,594	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	2,700	-	2,660
<u>-</u>	<u>29,137</u>	<u>16,678</u>	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>404,890</u>	<u>2,660</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 29,137</u>	<u>\$ 16,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,700</u>	<u>\$ 404,890</u>	<u>\$ 2,660</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2014

Data Control Codes		446 SSA - Transforming Lives Cooper	447 SSA - Coastal Alternative Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 711,024	\$ 2,358,484
1240	Receivables from Other Governments	69,730	-	-	709,516
1290	Other Receivables	-	67,627	17,159	125,814
1300	Inventories	-	-	-	143,918
1000	Total Assets	<u>\$ 69,730</u>	<u>\$ 67,627</u>	<u>\$ 728,183</u>	<u>\$ 3,337,732</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 301	\$ 17,677	\$ 827,279
2160	Accrued Wages Payable	-	-	-	70,970
2170	Due to Other Funds	68,398	22,444	-	737,955
2180	Due to Other Governments	-	-	250	250
2300	Unearned Revenues	1,332	44,882	-	150,620
2000	Total Liabilities	<u>69,730</u>	<u>67,627</u>	<u>17,927</u>	<u>1,787,074</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	44,872
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	795,530
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	710,256	710,256
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>710,256</u>	<u>1,550,658</u>
4000	Total Liabilities and Fund Balances	<u>\$ 69,730</u>	<u>\$ 67,627</u>	<u>\$ 728,183</u>	<u>\$ 3,337,732</u>

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DICKINSON INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,431,244
5800	State Program Revenues	-	-	-	156,639
5900	Federal Program Revenues	1,742,783	1,415,227	22,228	4,104,337
5020	Total Revenues	1,742,783	1,415,227	22,228	5,692,220
EXPENDITURES:					
Current:					
0011	Instruction	1,517,372	952,129	22,228	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	214,825	27,032	-	-
0021	Instructional Leadership	2,181	30,174	-	-
0023	School Leadership	-	1,650	-	-
0031	Guidance, Counseling and Evaluation Services	4,597	357,020	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	5,277,253
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	1,576
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	3,808	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	1,855,106
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	47,222	-	-
6030	Total Expenditures	1,742,783	1,415,227	22,228	7,133,935
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(1,441,715)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	1,576
1200	Net Change in Fund Balance	-	-	-	(1,440,139)
0100	Fund Balance - September 1 (Beginning)	-	-	-	2,280,541
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 840,402

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	286 Title I SIP Academy Grant ARRA	288 Bilingual Summer School	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,129,170	-
89,479	251,860	84,848	43,512	12,244	-	-	-
89,479	251,860	84,848	43,512	12,244	-	1,129,170	-
84,772	165,341	74,823	22,478	12,244	-	1,129,170	-
-	199	-	-	-	-	-	-
4,038	6,644	8,702	21,034	-	-	-	-
-	49,623	629	-	-	-	-	-
669	30,053	394	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	300	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
89,479	251,860	84,848	43,512	12,244	-	1,129,170	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DICKINSON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		446 SSA - Transforming Lives Cooper	447 SSA - Coastal Alternative Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 126,835	\$ 460,546	\$ 743,660	\$ 2,762,285
5800	State Program Revenues	33,574	-	-	1,319,383
5900	Federal Program Revenues	-	-	-	7,766,518
5020	Total Revenues	<u>160,409</u>	<u>460,546</u>	<u>743,660</u>	<u>11,848,186</u>
EXPENDITURES:					
Current:					
0011	Instruction	160,409	327,634	197,985	4,666,585
0012	Instructional Resources and Media Services	-	-	18,333	18,532
0013	Curriculum and Instructional Staff Development	-	-	8,578	290,853
0021	Instructional Leadership	-	28,258	-	110,865
0023	School Leadership	-	104,654	29,628	167,048
0031	Guidance, Counseling and Evaluation Services	-	-	550	362,167
0034	Student (Pupil) Transportation	-	-	968	968
0035	Food Services	-	-	-	5,277,253
0036	Extracurricular Activities	-	-	418,635	418,635
0041	General Administration	-	-	209	509
0051	Facilities Maintenance and Operations	-	-	841	2,417
0052	Security and Monitoring Services	-	-	300	300
0061	Community Services	-	-	-	3,808
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	1,855,106
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	47,222
6030	Total Expenditures	<u>160,409</u>	<u>460,546</u>	<u>676,027</u>	<u>13,222,268</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	67,633	(1,374,082)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	1,576
1200	Net Change in Fund Balance	-	-	67,633	(1,372,506)
0100	Fund Balance - September 1 (Beginning)	-	-	642,623	2,923,164
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,256</u>	<u>\$ 1,550,658</u>



## **COMPLIANCE SCHEDULES**

DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.500000	0.251000	1,516,335,616
2007	1.370000	0.354000	1,986,368,794
2008	1.040000	0.390000	2,124,982,587
2009	1.040000	0.460000	2,333,951,667
2010	1.040000	0.464000	2,262,948,271
2011	1.040000	0.500000	2,315,347,013
2012	1.040000	0.500000	2,286,305,260
2013	1.040000	0.500000	2,377,857,727
2014 (School year under audit)	1.040000	0.500000	2,649,688,574
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 571,044	\$ -	\$ 15,006	\$ 2,216	\$ (60,653)	\$ 493,169
121,345	-	6,910	1,156	(1,894)	111,385
121,480	-	6,015	1,554	(1,916)	111,995
106,927	-	11,201	4,200	(1,514)	90,012
169,977	-	44,416	19,646	159	106,074
250,276	-	51,518	22,985	190	175,963
260,186	-	67,089	32,255	(1,953)	158,889
389,120	-	122,586	58,935	974	208,573
759,117	-	257,161	123,635	(50,298)	328,023
-	40,805,204	27,970,508	13,447,360	1,357,698	745,034
<u>\$ 2,749,472</u>	<u>\$ 40,805,204</u>	<u>\$ 28,552,410</u>	<u>\$ 13,713,942</u>	<u>\$ 1,240,793</u>	<u>\$ 2,529,117</u>

See Note 4 on page 38 for reconciliation to Exhibit C-1.

DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,168,500	\$ 2,224,100	\$ 1,431,244	\$ (792,856)
5800	State Program Revenues	157,039	157,039	156,639	(400)
5900	Federal Program Revenues	5,075,947	5,075,947	4,104,337	(971,610)
5020	Total Revenues	7,401,486	7,457,086	5,692,220	(1,764,866)
EXPENDITURES:					
0035	Food Services	7,400,486	7,459,039	5,277,253	2,181,786
0051	Facilities Maintenance and Operations	1,000	2,577	1,576	1,001
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,800,000	1,855,106	944,894
6030	Total Expenditures	7,401,486	10,261,616	7,133,935	3,127,681
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,804,530)	(1,441,715)	1,362,815
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	1,576	1,576
1200	Net Change in Fund Balances	-	(2,804,530)	(1,440,139)	1,364,391
0100	Fund Balance - September 1 (Beginning)	2,280,541	2,280,541	2,280,541	-
3000	Fund Balance - August 31 (Ending)	\$ 2,280,541	\$ (523,989)	\$ 840,402	\$ 1,364,391

DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 13,675,122	\$ 13,675,122	\$ 13,873,789	\$ 198,667
5800	State Program Revenues	1,900,000	1,900,000	1,844,309	(55,691)
5900	Federal Program Revenues	575,000	575,000	291,741	(283,259)
5020	Total Revenues	16,150,122	16,150,122	16,009,839	(140,283)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,094,185	5,320,085	2,094,185	3,225,900
0072	Interest on Long Term Debt	14,494,339	11,268,439	12,812,713	(1,544,274)
0073	Bond Issuance Cost and Fees	235,000	235,000	1,439,285	(1,204,285)
6030	Total Expenditures	16,823,524	16,823,524	16,346,183	477,341
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(673,402)	(673,402)	(336,344)	337,058
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	23,360,000	23,360,000
7916	Premium or Discount on Issuance of Bonds	-	-	4,288,247	4,288,247
7917	Prepaid Interest	-	-	121,553	121,553
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(26,572,403)	(26,572,403)
7080	Total Other Financing Sources (Uses)	-	-	1,197,397	1,197,397
1200	Net Change in Fund Balances	(673,402)	(673,402)	861,053	1,534,455
0100	Fund Balance - September 1 (Beginning)	5,549,809	5,549,809	5,549,809	-
3000	Fund Balance - August 31 (Ending)	\$ 4,876,407	\$ 4,876,407	\$ 6,410,862	\$ 1,534,455

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## **FEDERAL AWARDS SECTION**

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

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

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dickinson Independent School District (the District) as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Start & Busch, LLC

Baytown, Texas  
December 1, 2014



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

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

### **Report on Compliance for Each Major Federal Program**

We have audited Dickinson Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that

are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Start & Busch, LLC

Baytown, Texas  
December 1, 2014

**DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

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**Section I - Summary of Auditors' Results**

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*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                      yes           X           no

Significant deficiency(ies) identified that are not considered to be material weaknesses?                      yes           X           none reported

Noncompliance material to financial statements noted:                      yes           X           no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?                      yes           X           no

Significant deficiency(ies) identified that are not considered to be material weaknesses?                      yes           X           none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?           None          

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A, 84.173A	Special Education Cluster
84.010A	Title I, Part A Cluster

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

Auditee qualified as low-risk auditee?           X           yes                      no

**DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**II. FINANCIAL STATEMENT FINDINGS**

None Noted

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None Noted

**IV. STATUS OF PRIOR YEAR FINDING**

None Noted

**V. CORRECTIVE ACTION PLAN**

None Noted

DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
Reserve Officers' Training Corp. (ROTC)	12.000	TX080083	\$ 57,362
Total Direct Programs			\$ 57,362
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>\$ 57,362</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*Title I, Part D	84.010A	14610103084901	\$ 94,374
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101084901	1,648,409
Total CFDA Number 84.010A			1,742,783
Total Title I, Part A Cluster			1,742,783
*IDEA - Part B, Formula	84.027A	146600010849016600	1,415,227
*IDEA - Part B, Preschool	84.173A	146610010849016610	22,228
Total Special Education Cluster (IDEA)			1,437,455
Career and Technical - Basic Grant	84.048A	14420006084901	89,479
Title III, Part A - English Language Acquisition	84.365A	14671001084901	84,848
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501084901	251,860
Title I SIP Academy Grant - ARRA	84.388A	105520017110016	43,512
Bilingual Summer School	84.369A	69551302	12,244
Total Passed Through State Department of Education			\$ 3,662,181
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 3,662,181</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	084901	\$ 55,908
Total Passed Through Texas Dept of Human Services			\$ 55,908
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 55,908</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 912,708
*National School Lunch Program - Cash Assistance	10.555	71301401	2,932,605
*National School Lunch Prog. - Non-Cash Assistance	10.555	084901	259,024
Total CFDA Number 10.555			3,191,629
Total Child Nutrition Cluster			4,104,337
Total Passed Through the State Department of Agriculture			\$ 4,104,337
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 4,104,337</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 7,879,788</b>

\*Clustered Programs

See Notes to the Schedule of Expenditures of Federal Awards.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**Note 1 – Basis of Accounting**

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

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

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

**Note 2 – Reconciliation to Basic Financial Statements**

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

Schedule of federal expenditures (Exhibit I-1)	\$ 7,879,788
Medicaid SHARS federal revenue accounted for in the General Fund	1,153,431
E-Rate/Fuel rebate reimbursements	277,032
IRS credit payment accounted for in the Debt Service Fund	<u>291,741</u>
Federal program revenues (Exhibit C-3)	<u>\$ 9,601,992</u>



# SCHOOLS FIRST QUESTIONNAIRE

Dickinson Independent School District

Fiscal Year 2014

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	2805087