

**DICKINSON INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL &  
COMPLIANCE REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2013**



**DICKINSON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL & COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013**

**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 .....	17	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 .....	53	F-1
Notes to the Required Supplementary Information .....	54	
<b>Combining Schedules:</b>		
Combining Balance Sheet – Nonmajor Governmental Funds .....	56	G-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	60	G-2
<b>Compliance Schedules:</b>		
Schedule of Delinquent Taxes Receivable .....	66	H-1
Schedule of Expenditures for Computations of Indirect Cost for 2014-2015 - General and Special Revenue Funds .....	68	H-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Program.....	69	H-3
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund .....	70	H-4
<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> .....	73	-
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	75	-
Schedule of Findings and Questioned Costs .....	77	-
Schedule of Expenditures of Federal Awards.....	79	I-1
Notes to Schedule of Expenditures of Federal Awards.....	81	-

This page left blank intentionally.

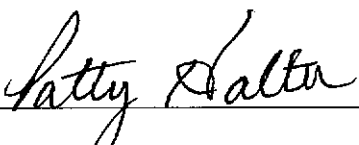
## CERTIFICATE OF BOARD

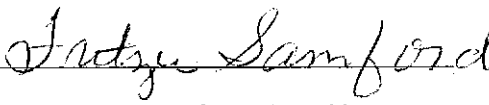
Dickinson Independent School District  
Name of School District

Galveston  
County

084-901  
County-District

We, the undersigned, certify that the attached annual financial & compliance reports of the above named school district were reviewed and   X   approved        disapproved for the year ended August 31, 2013, at a meeting of the Board of Trustees of such school district on the 13th day of January, 2014.

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

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

This page left blank intentionally.

## **FINANCIAL SECTION**

This page left blank intentionally.



## 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, 2013, 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 auditor's 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, 2013, 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.

### Change in Accounting Principle

As described in Note 2 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board Statements No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **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 53 through 54, 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 administration about the methods of preparing the information and comparing the information for consistency with the administration'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.

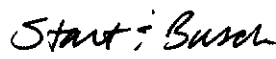
### *Other Information*

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 20, 2013 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 20, 2013

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2013**

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, 2013.

**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 \$23,219,329 (*net position*). Of this amount, \$27,920,931 (*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 \$1,511,777 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 \$44,066,635 an increase of \$1,020,688 in comparison with the prior year. The increase in governmental fund balances was primarily due to increased tax and state funding revenues offset by continued expenditures related to the capital project funds. Fund balance in the general fund increased by \$7,192,192.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,982,874 or 29% of total general fund expenditures.

**Overview of the Financial Statements**

During 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". Due to the implementation of these statements, the components of net position were renamed and the use of deferred outflows and inflows were clarified for financial reporting. The implementation of GASB Statement No. 65 resulted in a prior period adjustment that expensed capitalized bond costs. Certain amounts in the tables below have been reclassified to conform with the presentation in the current year 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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2013**

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.

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 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 related 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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*August 31, 2013*

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.

**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 \$23,219,329 at the close of the most recent fiscal year.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2013**

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

**COMPARATIVE SCHEDULE OF NET POSITION**

*August 31, 2013 and 2012*

*Amounts in (000's)*

	Governmental Activities		Change
	2013	2012	2012-13
Current and other assets	\$ 52,765	\$ 54,115	\$ (1,350)
Capital assets	209,404	214,394	(4,990)
<b>Total assets</b>	<u>262,169</u>	<u>268,509</u>	<u>(6,340)</u>
 <b>Deferred outflows of resources</b>	 <u>792</u>	 <u>1,165</u>	 <u>(373)</u>
 Other liabilities	 5,979	 8,432	 (2,453)
Long-term liabilities	233,763	239,535	(5,772)
<b>Total liabilities</b>	<u>239,742</u>	<u>247,967</u>	<u>(8,225)</u>
 Net position:			
Net Investment in Capital Assets	(13,076)	(4,822)	(8,254)
Restricted	8,374	8,658	(284)
Unrestricted	27,921	17,871	10,050
<b>Total net position</b>	<u>\$ 23,219</u>	<u>\$ 21,707</u>	<u>\$ 1,512</u>

The District's total net position increased by \$1,511,777 over the prior year. At August 31, 2013, 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	\$ 2,280
Debt service	5,451
Campus activities	643
	<u>\$ 8,374</u>

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2013**

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**

*August 31, 2013 and 2012*

*Amounts in (000's)*

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013-2012</u>
<b>Revenues</b>			
<b>Program revenues:</b>			
Charge for services	\$ 2,887	\$ 1,448	\$ 1,439
Operating grants & contributions	15,013	20,885	(5,872)
<b>General revenues:</b>			
Property Taxes	38,980	37,702	1,278
State Aid - formula grants	37,860	34,096	3,764
Investment earnings	89	111	(22)
Other	<u>2,785</u>	<u>2,374</u>	<u>411</u>
<b>Total revenues</b>	<u>97,614</u>	<u>96,616</u>	<u>998</u>
<b>Expenses:</b>			
Instruction	48,268	47,145	1,123
Instructional resources and media services	922	924	(2)
Curriculum and staff development	545	681	(136)
Instructional leadership	1,108	1,058	50
School leadership	4,613	4,503	110
Guidance, counseling and evaluation services	2,345	2,326	19
Social work services	120	134	(14)
Health services	618	605	13
Student (pupil) transportation	3,712	3,799	(87)
Food services	5,652	5,255	397
Extracurricular activities	2,170	2,003	167
General administration	2,591	2,496	95
Facilities maintenance and operations	8,687	7,792	895
Security and monitoring services	353	399	(46)
Data processing services	1,343	1,333	10
Community services	272	201	71
Debt service	10,617	10,344	273
Capital outlay	-	1,679	(1,679)
Payments to fiscal agent/member districts of shared services arrangements	2,023	2,354	(331)
Payments to juvenile justice alternative education programs	<u>143</u>	<u>74</u>	<u>69</u>
<b>Total expenses</b>	<u>96,102</u>	<u>95,105</u>	<u>997</u>
 Increase (decrease) in net position	 1,512	 1,511	 1
 <b>Net position, beginning</b>	 <u>21,707</u>	 <u>20,196</u>	 <u>1,511</u>
<b>Net position, ending</b>	<u>\$ 23,219</u>	<u>\$ 21,707</u>	<u>\$ 1,512</u>

**Governmental Activities**

Total revenues for the District's governmental activities exceeded total expenses by \$1,511,777, which resulted in an increase to net position over the prior year. Revenues and expenses in 2013 increased by similar amounts when compared to 2012.

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 94% of total revenues. The remaining 6% is generated from charges for services, investment earnings, and miscellaneous revenues. In 2013, revenues increased over the prior year by approximately \$1 million. This

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*August 31, 2013*

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

The primary functional expense of the District is instruction, which represents 50% of total expenses. Debt service represents 11% of total expenses, and the remaining individual functional categories of expenses are each less than 10% of total expenses.

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

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

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$44,066,635, an increase of \$1,020,688 in comparison with prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,982,874, while total fund balances reached \$31,662,058. 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 29% of total general fund expenditures, while assigned fund balance represents 5%, committed fund balance represents 13%, and total fund balance represents 50% of that same amount. The fund balance of the District's general fund increased by \$7,192,192 during the current fiscal year. Increase in fund balance resulted from revenues exceeding projected amounts coupled with a reduction in operating expenditures.

The debt service fund has total fund balance of \$5,549,809, all of which is restricted for the payment of debt service. The net decrease in the debt service fund balance for the current year was \$534,340.

The capital projects fund has a total fund balance of \$3,931,604, all of which is restricted for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$5,941,629 was due to the continued expenditures related to ongoing construction projects.

**General Fund Budgetary Highlights**

Difference 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	\$ 64,841	\$ 64,976
Total expenditures	66,694	66,989
Net change in fund balance	\$ (1,853)	\$ (2,013)

The District adopted a deficient budget for fiscal year 2013. Actual revenues for the general fund exceeded budgetary estimates by approximately \$5.2 million. Property tax revenues exceeded estimates by approximately \$1.2 million due to increase in certified values subsequent to adoption of the budget. As a result of increased average daily attendance and larger state funded TRS payments, state revenue exceeded budget estimates by approximately \$2.6 million. Additionally, federal revenues accounted for in the General Fund (SHARS revenues) exceeded the District's estimates by approximately \$1.4 million. Expenditures were less than budgetary estimates by approximately \$4.0 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 \$9.2 million, resulting in an increase in general fund balance of approximately \$7.2 million for the year.



**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**August 31, 2013**

**Capital Assets**

The District's investment in capital assets for its governmental type activities, as of August 31, 2013, amounts to \$209,403,880 (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	2013
Land	\$ 6,946
Buildings and improvements	266,782
Furniture and equipment	20,686
Library books and media	<u>27</u>
Total	294,441
Accumulated depreciation	<u>(85,037)</u>
Net capital assets	<u>\$ 209,404</u>

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

**Long-term Liabilities**

At the end of the current fiscal year, the District had \$223,847,963 in bonded debt outstanding, a decrease of \$2,889,597 from 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-1+" and from Moody's Investors Service is "VMIG-1" for general obligation debt.

Changes in all long-term debt, for the year ended August 31, 2013, are as follows: (000's)

Outstanding 9/1/2012	Additions	Reductions	Outstanding 8/31/2013
\$ 239,535	\$ 28,832	\$ (34,604)	\$ 233,763

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, 2013, the current debt limitation for the District is \$248,667,948. The District's outstanding debt of \$223,847,963 less the reserve for the retirement of the debt of \$5,549,809 totals \$218,298,154 leaving a legal debt margin of \$30,369,794. 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 2013-2014 budget preparation was increased by \$300 million, or 12.5% from the previous year. This increase was due to an increase in construction of new homes.
- The Tax Rate for 2013-2014 is \$1.54 (\$1.04 for M&O; \$.50 for I&S), the same as 2012-2013.
- The 2013-2014 general fund operating budget projects spending \$7,065 per student.
- The District's 2013-2014 refined average daily attendance is expected to be 9,100, an increase of 1.7% from the previous year.

Dickinson ISD is classified as a 5A 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 eleventh consecutive year. In addition, the 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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*August 31, 2013*

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. The schools would be located on land currently owned by the District just west of I-45. The election is scheduled to be held May 13, 2014.

The tax rate increase would be approximately \$0.035, bringing the District's total tax rate to \$1.575.

A bond election was held in November 2007 for \$107 million. This bond referendum included construction of the District's sixth elementary campus, expansion and renovations at Dickinson High School to accommodate Legislative mandates and student growth, a new Administration building, repair/upgrades for existing facilities, and the purchase of land for future school site(s). Also included were funds to complete the Transportation Center, Agriculture Facility and Field house due to the shortfall in the 2005 bond referendum. The voters of Dickinson ISD approved the bond referendum 60% to 40%. \$60 million in bonds were sold in 2008 and the remaining \$47 million were sold in 2010. Construction has begun on the expansion and renovations at Dickinson High school. The Field House was completed in the spring of 2010. Calder Road was completed and occupied in the summer of 2010. The Transportation Center, Food and Nutrition, Technology and Administration Building were completed in 2011-2012. The Career and Technology Center was completed in 2012-2013.

Prior to Hurricane Ike, the District was growing with several residential projects being developed. Lago Mar, a subdivision with 5000 to 7500 residential units, was to begin in early 2009. With the uncertain economy, the project was deferred but has recently begun developing again.

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 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, 2013

EXHIBIT A-1

Data Control Codes		Governmental Activities
<b>ASSETS</b>		
1110	Cash and Cash Equivalents	\$ 44,325,232
1220	Property Taxes Receivable (Delinquent)	4,664,660
1230	Allowance for Uncollectible Taxes	(2,053,065)
1240	Due from Other Governments	2,866,126
1267	Due from Fiduciary Funds	2,500
1290	Other Receivables, net	703,496
1300	Inventories	438,031
1410	Prepayments	1,818,363
	Capital Assets:	
1510	Land	6,945,641
1520	Buildings, Net	193,675,090
1530	Furniture and Equipment, Net	8,756,492
1560	Library Books and Media, Net	26,657
1000	Total Assets	<u>262,169,223</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Deferred Charge for Refunding	792,084
1700	Total Deferred Outflows of Resources	<u>792,084</u>
<b>LIABILITIES</b>		
2110	Accounts Payable	2,183,011
2160	Accrued Wages Payable	1,720,573
2200	Accrued Expenses	675,955
2300	Unearned Revenue	1,399,439
	Noncurrent Liabilities	
2501	Due Within One Year	2,824,735
2502	Due in More Than One Year	230,938,265
2000	Total Liabilities	<u>239,741,978</u>
<b>NET POSITION</b>		
3200	Net Investment in Capital Assets	(13,075,648)
3820	Restricted for Federal and State Programs	2,280,534
3850	Restricted for Debt Service	5,450,882
3870	Restricted for Campus Activities	642,630
3900	Unrestricted	27,920,931
3000	Total Net Position	<u>\$ 23,219,329</u>

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

This page left blank intentionally.

DICKINSON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2013					Net (Expense) Revenue and Changes in Net Position
Data Control Codes	1	Program Revenues		6	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 48,267,906	\$ 748,615	\$ 6,451,398	\$ (41,067,893)	
12 Instructional Resources and Media Services	922,432	-	61,054	(861,378)	
13 Curriculum and Staff Development	545,107	-	315,839	(229,268)	
21 Instructional Leadership	1,107,897	-	187,988	(919,909)	
23 School Leadership	4,612,849	-	213,465	(4,399,384)	
31 Guidance, Counseling and Evaluation Services	2,345,121	-	434,241	(1,910,880)	
32 Social Work Services	120,312	-	30,875	(89,437)	
33 Health Services	617,646	-	26,872	(590,774)	
34 Student (Pupil) Transportation	3,711,953	-	113,529	(3,598,424)	
35 Food Services	5,651,901	1,321,010	3,903,159	(427,732)	
36 Extracurricular Activities	2,169,625	789,506	38,376	(1,341,743)	
41 General Administration	2,591,320	-	78,357	(2,512,963)	
51 Facilities Maintenance and Operations	8,687,324	28,357	181,302	(8,477,665)	
52 Security and Monitoring Services	352,748	-	-	(352,748)	
53 Data Processing Services	1,342,572	-	53,665	(1,288,907)	
61 Community Services	271,656	-	98,337	(173,319)	
72 Debt Service - Interest on Long Term Debt	10,269,527	-	2,798,798	(7,470,729)	
73 Debt Service - Bond Issuance Cost and Fees	347,997	-	-	(347,997)	
93 Payments related to Shared Services Arrangements	2,022,262	-	25,995	(1,996,267)	
95 Payments to Juvenile Justice Alternative Ed. Prg.	143,493	-	-	(143,493)	
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 96,101,648	\$ 2,887,488	\$ 15,013,250	(78,200,910)	
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			26,346,057	
DT	Property Taxes, Levied for Debt Service			12,633,744	
SF	State Aid - Formula Grants			37,859,893	
GC	Grants and Contributions not Restricted			2,257,113	
IE	Investment Earnings			88,526	
MI	Miscellaneous Local and Intermediate Revenue			527,354	
TR	Total General Revenues			79,712,687	
CN	Change in Net Position			1,511,777	
NB	Net Position - Beginning			23,222,125	
PA	Prior Period Adjustment - See Note 22			(1,514,573)	
NE	Net Position--Ending			\$ 23,219,329	

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 29,772,751	\$ 5,579,082	\$ 5,020,710
1220 Property Taxes - Delinquent	3,536,496	1,128,164	-
1230 Allowance for Uncollectible Taxes (Credit)	(1,556,524)	(496,541)	-
1240 Receivables from Other Governments	2,324,836	5,799	-
1260 Due from Other Funds	663,330	-	-
1290 Other Receivables	316,496	-	-
1300 Inventories	293,152	-	-
1410 Prepayments	1,818,363	-	-
1000 Total Assets	<u>\$ 37,168,900</u>	<u>\$ 6,216,504</u>	<u>\$ 5,020,710</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 703,358	\$ 35,072	\$ 1,089,106
2160 Accrued Wages Payable	1,656,856	-	-
2170 Due to Other Funds	-	-	-
2300 Unearned Revenues	1,166,656	-	-
2000 Total Liabilities	<u>3,526,870</u>	<u>35,072</u>	<u>1,089,106</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	1,979,972	631,623	-
2600 Total Deferred Inflows of Resources	<u>1,979,972</u>	<u>631,623</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	293,152	-	-
3430 Prepaid Items	1,818,363	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	3,931,604
3480 Retirement of Long-Term Debt	-	5,549,809	-
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	2,127,669	-	-
3600 Unassigned Fund Balance	17,982,874	-	-
3000 Total Fund Balances	<u>31,662,058</u>	<u>5,549,809</u>	<u>3,931,604</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 37,168,900</u>	<u>\$ 6,216,504</u>	<u>\$ 5,020,710</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,128,069	\$ 43,500,612
-	4,664,660
-	(2,053,065)
535,491	2,866,126
-	663,330
379,063	695,559
144,879	438,031
-	1,818,363
<u>\$ 4,187,502</u>	<u>\$ 52,593,616</u>
\$ 354,402	\$ 2,181,938
63,717	1,720,573
660,830	660,830
185,389	1,352,045
<u>1,264,338</u>	<u>5,915,386</u>
-	2,611,595
-	2,611,595
47,408	340,560
-	1,818,363
1,273,126	1,273,126
-	3,931,604
-	5,549,809
-	6,000,000
960,000	1,460,000
642,630	2,442,630
-	500,000
-	340,000
-	300,000
-	2,127,669
-	17,982,874
<u>2,923,164</u>	<u>44,066,635</u>
<u>\$ 4,187,502</u>	<u>\$ 52,593,616</u>

This page left blank intentionally.



DICKINSON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$ 44,066,635
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$294,441,032 and the accumulated depreciation is \$85,037,152. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position. (See Note 6.)	209,403,880
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.)	(233,763,000)
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.	2,611,595
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.	108,135
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.	792,084
<b>Net Position of Governmental Activities</b>	<u>\$ 23,219,329</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, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 27,334,296	\$ 12,649,294	\$ 16,098
5800 State Program Revenues	40,458,224	2,197,396	-
5900 Federal Program Revenues	2,354,762	601,402	-
5020 Total Revenues	70,147,282	15,448,092	16,098
EXPENDITURES:			
Current:			
0011 Instruction	37,007,961	-	-
0012 Instructional Resources and Media Services	779,814	-	-
0013 Curriculum and Instructional Staff Development	160,405	-	-
0021 Instructional Leadership	781,027	-	-
0023 School Leadership	3,828,381	-	-
0031 Guidance, Counseling and Evaluation Services	1,678,240	-	-
0032 Social Work Services	77,040	-	-
0033 Health Services	533,971	-	-
0034 Student (Pupil) Transportation	3,313,587	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,513,138	-	-
0041 General Administration	2,239,615	-	7,550
0051 Facilities Maintenance and Operations	7,258,685	-	-
0052 Security and Monitoring Services	304,710	-	-
0053 Data Processing Services	1,192,588	-	-
0061 Community Services	138,004	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	2,739,597	-
0072 Interest on Long Term Debt	-	13,038,134	-
0073 Bond Issuance Cost and Fees	-	347,997	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	8,007	-	5,950,177
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	1,996,267	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	143,493	-	-
6030 Total Expenditures	62,954,933	16,125,728	5,957,727
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	7,192,349	(677,636)	(5,941,629)
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	27,940,000	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	359,308	-
8911 Transfers Out (Use)	(157)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(28,156,012)	-
7080 Total Other Financing Sources (Uses)	(157)	143,296	-
1200 Net Change in Fund Balances	7,192,192	(534,340)	(5,941,629)
0100 Fund Balance - September 1 (Beginning)	24,469,866	6,084,149	9,873,233
3000 Fund Balance - August 31 (Ending)	\$ 31,662,058	\$ 5,549,809	\$ 3,931,604

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

	Nonmajor Governmental Funds	Total Governmental Funds
\$	2,587,324	\$ 42,587,012
	571,229	43,226,849
	8,944,518	11,900,682
	12,103,071	97,714,543
	5,296,212	42,304,173
	41,219	821,033
	310,854	471,259
	176,779	957,806
	169,359	3,997,740
	349,178	2,027,418
	26,973	104,013
	-	533,971
	964	3,314,551
	4,920,094	4,920,094
	367,425	1,880,563
	492	2,247,657
	16,119	7,274,804
	250	304,960
	-	1,192,588
	96,850	234,854
	-	2,739,597
	-	13,038,134
	-	347,997
	-	5,958,184
	25,995	2,022,262
	-	143,493
	11,798,763	96,837,151
	304,308	877,392
	-	27,940,000
	157	157
	-	359,308
	-	(157)
	-	(28,156,012)
	157	143,296
	304,465	1,020,688
	2,618,699	43,045,947
\$	2,923,164	\$ 44,066,635

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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,020,688</b>
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 2013 capital outlays is an increase to net position. (See Note 6.)	6,384,387
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.	(11,374,645)
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 issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect is to increase net position. (See Note 7.)	5,771,716
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.	183,781
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 interfund transactions, 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.	(474,150)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,511,777</b>

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, 2013

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 824,620
Other Receivables	7,937
	<hr/>
Total Assets	832,557
	<hr/>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	1,073
Accrued Expenses	675,955
Unearned Revenues	47,394
	<hr/>
Total Liabilities	724,422
	<hr/>
<b>NET POSITION</b>	
Unrestricted Net Assets	108,135
	<hr/>
Total Net Position	\$ 108,135
	<hr/> <hr/>

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, 2013

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 761,490
Total Operating Revenues	761,490
OPERATING EXPENSES:	
Professional and Contracted Services	290,157
Other Operating Costs	288,092
Total Operating Expenses	578,249
Operating Income	183,241
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	540
Total Nonoperating Revenues (Expenses)	540
Change in Net Position	183,781
Total Net Position - September 1 (Beginning)	(75,646)
Total Net Position - August 31 (Ending)	\$ 108,135

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, 2013

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 775,911
Cash Payments for Insurance Claims	(482,042)
Net Cash Provided by Operating Activities	293,869
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	540
Net Increase in Cash and Cash Equivalents	294,409
Cash and Cash Equivalents at Beginning of Year	530,211
Cash and Cash Equivalents at End of Year	\$ 824,620
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 183,241
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(7,120)
Increase (decrease) in Accounts Payable	1,073
Increase (decrease) in Deferred Revenues	13,604
Increase (decrease) in Accrued Expenses	103,071
Net Cash Provided by Operating Activities	\$ 293,869

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, 2013

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 133,926
Total Assets	<u>\$ 133,926</u>
LIABILITIES	
Accounts Payable	\$ 6,296
Due to Other Funds	2,500
Due to Student Groups	125,019
Payable from Restricted Assets	111
Total Liabilities	<u>\$ 133,926</u>

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



**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**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**

**New GASB Pronouncements**

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

**GASB Statement No. 63** - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District has implemented this reporting for the year ended August 31, 2013. The components of net position were renamed to reflect requirements of this statement.

**GASB Statement No. 65** - GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The District has early implemented this statement for the year ended August 31, 2013. As a result, prior year "capitalized bond and other debt issuance costs" of \$1,514,573 have been expensed in the prior period adjustment explained in Note 22.

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

### **Fund Accounting**

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

### **Governmental Funds**

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

The District reports the following major governmental fund types:

- The *general fund* is the District's primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in another fund are included here.
- The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
- The *capital 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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

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, 2013, undiscounted liabilities totaled \$724,422 and net assets (deficit) of the workers' compensation fund totaled \$108,135. 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, 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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

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

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

**Deferred or Unearned Revenues**

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

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance fiscal year 2013 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-3, and H-4.

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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

- 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, certificates of 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, 2013. 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.

**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	15
Portable buildings	9
Vehicles	7
Office equipment	5
Computer equipment	5
Buses	9
Networking infrastructure	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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

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”.

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*.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

- *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.

#### 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, 2013 is shown below:

	Cash and Deposits	Investment Pools	Total
Governmental funds:			
General fund	\$ 2,911,539	\$ 26,861,212	\$ 29,772,751
Debt service fund	32,901	5,546,181	5,579,082
Capital projects fund	12,857	5,007,853	5,020,710
Nonmajor governmental funds	964,586	2,163,483	3,128,069
Total governmental funds	3,921,883	39,578,729	43,500,612
Proprietary funds	624,190	200,430	824,620
Fiduciary funds	48,147	85,779	133,926
Total cash and investments	\$ 4,594,220	\$ 39,864,938	\$ 44,459,158

As of August 31, 2013, the District had the following investments:

	Carrying Amount	Fair Value	Maturity	Credit Rating	% Invested
Cash and deposits	\$ 4,594,220	\$ 4,594,220	n/a	n/a	n/a
	4,594,220	4,594,220			
Investments:					
Investment pools:					
MBIA	36,363,745	36,363,745	< 60 days	AAAm	91.2%
LOGIC	2,004,648	2,004,648	< 60 days	AAA	5.0%
Texpool	1,213,193	1,213,193	< 60 days	AAAm	3.0%
TexStar	283,352	283,352	< 60 days	AAAm	0.7%
	39,864,938	39,864,938			100.0%
Total cash and investments	\$ 44,459,158	\$ 44,459,158			



**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**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, 2013, the carrying amount of the District's deposits (cash) was \$4,594,220 and the bank balance was \$4,859,945. The District's cash deposits at August 31, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**Investments**

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

MBIA (Local Government Investment Pool – Texas CLASS), LOGIC (Local Government Investment Cooperative), Texpool (Texas Local Government Investment Pool), and TexStar (Texas Short Term Asset Reserve Program) 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 MBIA, LOGIC, Texpool, and TexStar 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 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, 2013, the District's investment in MBIA Texas CLASS Pool, Texpool, and TexStar Investment Pools are rated AAAM and LOGIC is rated AAA by Standard and Poor's.

**Custodial Credit Risk**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

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

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

**Concentration of Credit Risk**

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's investment of \$36,363,745 in MBIA represents 91.2% of the District's total 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 weighted average maturity for the District's investment in external investment pools is less than 60 days. In addition, the District shall not directly invest in an individual security maturing more than twelve months from the date of purchase.

**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	\$ 2,013,994	\$ 735,478	\$ -	\$ 2,749,472
Property taxes - penalty & interest	1,522,502	392,686	-	1,915,188
Subtotal - property taxes	3,536,496	1,128,164	-	4,664,660
Due from other governments	2,324,836	5,799	535,491	2,866,126
Other	316,496	-	379,063	695,559
Gross receivables	6,177,828	1,133,963	914,554	8,226,345
Less: allowance for doubtful accounts	(1,556,524)	(496,541)	-	(2,053,065)
Total net receivables	\$ 4,621,304	\$ 637,422	\$ 914,554	\$ 6,173,280

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)	\$ 1,979,972	\$ -	\$ 1,979,972
Delinquent property taxes (Debt Service Fund)	631,623	-	631,623
State entitlements received prior to meeting all eligibility requirements (General Fund)	-	1,166,656	1,166,656
Grant funds received prior to meeting all eligibility requirements (Non-major Funds)	-	185,389	185,389
Total unearned revenues	\$ 2,611,595	\$ 1,352,045	\$ 3,963,640

**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,

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

penalties, and interest ultimately imposed. The assessed value of the property tax roll, upon which the levy for the 2012-13 fiscal year was based, was \$2.377 billion.

The tax rates assessed for the year ended August 31, 2013, 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, 2013 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 44% of outstanding property taxes receivable at August 31, 2013. 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, 2013, 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	\$ 1,096,058	\$ 1,216,352	\$ 12,426	\$ 2,324,836
Debt Service Fund	-	-	5,799	5,799
Nonmajor Governmental Funds	-	531,534	3,957	535,491
Total	<u>\$ 1,096,058</u>	<u>\$ 1,747,886</u>	<u>\$ 22,182</u>	<u>\$ 2,866,126</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, 2013, is as follows:

Fund	Receivable	Payable
General Fund:		
Nonmajor Governmental Funds	\$ 660,830	
Trust & Agency Funds	2,500	
Trust & Agency Funds:		
General Fund		\$ 2,500
Nonmajor Governmental Funds:		
General Fund		\$ 660,830

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

District activities in the Other 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, 2013 is as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 6,937,634	\$ 8,007	\$ -	\$ -	\$ 6,945,641
Construction in progress	-	3,260,937	-	(3,260,937)	-
Total Capital Assets, not depreciated	6,937,634	3,268,944	-	(3,260,937)	6,945,641
Capital assets, being depreciated:					
Buildings and improvements	261,424,869	2,096,097	-	3,260,937	266,781,903
Furniture and equipment	19,694,142	992,087	-	-	20,686,229
Library books and media	-	27,259	-	-	27,259
Total Capital Assets, being depreciated	281,119,011	3,115,443	-	3,260,937	287,495,391
Less accumulated depreciation for:					
Buildings and improvements	(64,040,754)	(9,066,059)	-	-	(73,106,813)
Furniture and equipment	(9,621,753)	(2,307,984)	-	-	(11,929,737)
Library books and media	-	(602)	-	-	(602)
Total accumulated depreciation	(73,662,507)	(11,374,645)	-	-	(85,037,152)
Capital assets, net	\$ 214,394,138	\$ (4,990,258)	\$ -	\$ -	\$ 209,403,880

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 6,629,158
12 Instructional resources and media services	128,658
13 Curriculum and staff development	73,848
21 Instructional leadership	150,091
23 School leadership	626,458
31 Guidance, counseling, & evaluation services	317,703
32 Social work services	16,299
33 Health services	83,675
34 Student (pupil) transportation	519,418
35 Food services	770,976
36 Extracurricular activities	294,690
41 General administration	352,215
51 Facilities maintenance and operations	1,139,984
52 Security and monitoring services	47,788
53 Data processing services	186,882
61 Community services	36,802
Total depreciation expense - governmental activities	\$ 11,374,645

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**7. LONG-TERM LIABILITIES**

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

Long-term liabilities include par bonds and capital appreciation (deep discount) serial bonds. State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. For the fiscal year ended August 31, 2013, the current debt limitation for the District is \$248,667,948. The District's outstanding debt of \$223,847,963 less the reserve for the retirement of the debt of \$5,549,809 totals \$218,298,154 leaving a legal debt margin of \$30,369,794.

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, 2013.

**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, 2013
Unlimited tax schoolhouse & refunding bonds, series 2000	5.40-6.05%	02/15/28	\$ 26,297,916	\$ 14,812,963
Unlimited tax schoolhouse & refunding bonds, series 2005	3.25-5.00%	02/15/30	50,842,899	48,475,000
Unlimited tax schoolhouse bonds, series 2006	4.00-5.00%	02/15/32	54,500,000	54,380,000
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	18,240,000
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 (.5%)	08/01/37	27,940,000	27,940,000
			<u>\$ 241,700,815</u>	<u>\$ 223,847,963</u>

The District issued \$27,940,000 in Variable Rate Unlimited Tax Refunding Bonds, Series 2013 to refund \$28,090,000 of the outstanding Variable Rate Unlimited Tax Schoolhouse Bonds, Series 2008A. The bonds were issued at a premium of \$359,308 and issuance costs of \$207,120. These bonds are due in annual installments ranging from \$5,910,000 to \$7,650,000 through August 1, 2037. As a result of the refunding, the District reduced its total debt service requirements by \$2,350,647 and realized a present value savings of \$2,010,596.

*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.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Bonds payable:</b>					
Unlimited tax schoolhouse & refunding bonds, series 2000	\$ 15,362,780	\$ -	\$ (549,817)	\$ 14,812,963	\$ 514,185
Unlimited tax schoolhouse & refunding bonds, series 2005	48,679,780	-	(204,780)	48,475,000	1,030,000
Unlimited tax schoolhouse bonds, series 2006	54,500,000	-	(120,000)	54,380,000	85,000
Unlimited tax schoolhouse bonds, series 2008	30,000,000	-	-	30,000,000	-
Variable rate unlimited tax schoolhouse bonds, series 2008A	28,090,000	-	(28,090,000)	-	-
Unlimited tax schoolhouse & refunding bonds, series 2010A	20,105,000	-	(1,865,000)	18,240,000	465,000
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	-
	<u>226,737,560</u>	<u>27,940,000</u>	<u>(30,829,597)</u>	<u>223,847,963</u>	<u>2,094,185</u>
<b>Deferred amounts:</b>					
Accrued interest	684,003	46,547	-	730,550	730,550
Accumulated accretion on capital appreciation bonds	8,442,963	477,502	(3,210,402)	5,710,063	-
Premium on issuance of bonds	4,063,625	359,308	(556,248)	3,866,685	-
Discount on issuance of bonds	<u>(546,922)</u>	<u>-</u>	<u>35,490</u>	<u>(511,432)</u>	<u>-</u>
Total bonds payable	239,381,229	28,823,357	(34,560,757)	233,643,829	2,824,735
<b>Other liabilities:</b>					
Compensated absences	<u>153,487</u>	<u>9,305</u>	<u>(43,621)</u>	<u>119,171</u>	<u>-</u>
Total other liabilities	153,487	9,305	(43,621)	119,171	-
<b>Governmental activities long-term liabilities</b>	<u>\$ 239,534,716</u>	<u>\$ 28,832,662</u>	<u>\$ (34,604,378)</u>	<u>\$ 233,763,000</u>	<u>\$ 2,824,735</u>

Debt service requirements to maturity are as follows:

Year Ended August 31,	General Obligations Bonds		Total Requirements
	Principal	Interest	
2014	\$ 2,094,185	\$ 13,297,387	\$ 15,391,572
2015	5,145,213	10,605,963	15,751,176
2016	5,323,565	11,401,818	16,725,383
2017	6,270,000	10,453,746	16,723,746
2018	6,560,000	10,161,951	16,721,951
2019-2023	36,990,000	46,513,779	83,503,779
2024-2028	44,300,000	38,041,995	82,341,995
2029-2033	57,060,000	23,189,455	80,249,455
2034-2038	<u>60,105,000</u>	<u>8,400,880</u>	<u>68,505,880</u>
	<u>\$ 223,847,963</u>	<u>\$ 172,066,974</u>	<u>\$ 395,914,937</u>

**Accreted Interest on Capital Appreciation Bonds**

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

The interest on these obligations will be paid upon maturity in the fiscal years ending 2014-2025. 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	\$ 3,435,000	\$ 1,442,963	\$ 1,703,588	\$ 3,146,551
Unlimited tax schoolhouse bonds, series 2006	1,940,000	85,000	1,814,997	1,899,997
Unlimited tax schoolhouse bonds, series 2008	3,730,000	690,000	1,461,636	2,151,636
Unlimited tax schoolhouse & refunding bonds, series 2010A	1,205,000	465,000	729,842	1,194,842
Total	<u>\$ 10,310,000</u>	<u>\$ 2,682,963</u>	<u>\$ 5,710,063</u>	<u>\$ 8,393,026</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, 2013, \$18,920,000 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, 2013.

**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	\$ 26,346,057	\$ 12,633,744	\$ -	\$ -	\$ 38,979,801
Shared Services Arrangements	-	-	-	662,294	662,294
Earnings from Deposits & Investments	56,338	15,550	16,098	2,725	90,711
Campus Activities	-	-	-	590,939	590,939
Athletic Activities	198,567	-	-	-	198,567
Food Service Activity	-	-	-	1,321,010	1,321,010
Miscellaneous & Other Revenues	733,334	-	-	10,356	743,690
	<u>\$ 27,334,296</u>	<u>\$ 12,649,294</u>	<u>\$ 16,098</u>	<u>\$ 2,587,324</u>	<u>\$ 42,587,012</u>

The District receives approximately 44% of total governmental revenues from the State of Texas.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**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	\$ 39,290	\$ -	\$ 39,290
Medicaid SHARS	1,723,890	-	1,723,890
E-Rate/Fuel rebate reimbursement	461,068	-	461,068
FEMA reimbursement	70,205	-	70,205
ROTC	97,649	-	97,649
IRS credit payment (Build America Bonds)	-	601,402	601,402
	<u>\$ 2,392,102</u>	<u>\$ 601,402</u>	<u>\$ 2,993,504</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, 2013. Rental expenditures for the year ended August 31, 2013 approximated \$274,000.

**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, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the 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 or contribution reductions 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. These rates are set by the General Appropriations Act. The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum. Contribution rates and amounts are shown in the table below for the fiscal years ended August 31, 2013, 2012 and 2011:

Contribution Rates and Contribution Amounts					
Year	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
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
8/31/2011	6.40%	3,279,676	6.644%	2,361,472	654,052



**DICKINSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013**

**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 at [www.trs.state.tx.us](http://www.trs.state.tx.us) 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 school district payroll. Funding for optional coverage is provided by those participants selecting the optional coverage. The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements. 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 ended August 31, 2013, 2012, and 2011:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
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
8/31/2011	0.65%	333,091	100%	461,852	0.55%	281,846

**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 2013, 2012, and 2011 were \$130,725, \$122,775 and \$117,456, respectively.

**14. OTHER POST EMPLOYMENT BENEFITS**

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

**15. RISK MANAGEMENT**

**General**

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

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

**DICKINSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013**

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, 2013, 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, 2012, 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, 2012, and 2013, respectively:

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2012	453,676	409,693	290,485	572,884
2013	572,884	346,991	243,920	675,955

**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, 2013**

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 that 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, 2013, 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	Total
General	\$ -	\$ 127,670	\$ 127,670
Capital Projects	319,084	-	319,084
Nonmajor Governmental Funds	4,530	-	4,530
Total	<u>\$ 323,614</u>	<u>\$ 127,670</u>	<u>\$ 451,284</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, and Hitchcock 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	\$ 30,646
La Marque Independent School District	11,448
Galveston Independent School District	17,728
Hitchcock Independent School District	<u>1,630</u>
	61,452
Galveston County (mandatory placement by judicial system)	<u>92,742</u>
	<u>\$ 154,194</u>

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

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	\$ 138,449
Texas City Independent School District	61,174
La Marque Independent School District	37,414
Santa Fe Independent School District	39,318
Galveston Independent School District	227,566
Friendswood Independent School District	42,716
	<u>\$ 546,637</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)	\$ 102,129
Dickinson Independent School District (Per Capita Apportionment)	87,674
	<u>\$ 189,803</u>

## **19. CONSTRUCTION COMMITMENTS**

At August 31, 2013, the District had commitments under construction contracts totaling approximately \$127,000.

## **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 \$350,147 are recorded as revenues and expenditures/expenses in the financial statements.

## **22. PRIOR PERIOD ADJUSTMENT**

Due to the implementation of GASB Statement No. 65, beginning net position has been decreased by \$1,514,573 from \$23,222,125 to \$21,707,552. The difference represents a restatement for bond issue costs that were amortized under the prior standards but expensed in the period incurred under the new standards.

**DICKINSON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**23. SUBSEQUENT EVENTS**

The District issued \$23,360,000 in Unlimited Tax Refunding Bonds, Series 2013 in November 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 2% 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 \$3,309,008 and realized a present value savings of \$2,201,212.

The District has evaluated subsequent events through December 20, 2013, the date the financial statements were available to be issued.

**This page left blank intentionally.**

## **REQUIRED SUPPLEMENTARY INFORMATION**

This page left blank intentionally.



DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 26,031,480	\$ 26,166,473	\$ 27,334,296	\$ 1,167,823
5800	State Program Revenues	38,214,496	38,214,496	40,458,224	2,243,728
5900	Federal Program Revenues	595,000	595,000	2,354,762	1,759,762
5020	Total Revenues	64,840,976	64,975,969	70,147,282	5,171,313
EXPENDITURES:					
Current:					
0011	Instruction	38,156,189	37,810,687	37,007,961	802,726
0012	Instructional Resources and Media Services	823,319	851,974	779,814	72,160
0013	Curriculum and Instructional Staff Development	216,962	228,101	160,405	67,696
0021	Instructional Leadership	845,994	867,944	781,027	86,917
0023	School Leadership	3,971,492	3,987,071	3,828,381	158,690
0031	Guidance, Counseling and Evaluation Services	1,705,198	1,744,767	1,678,240	66,527
0032	Social Work Services	86,454	106,454	77,040	29,414
0033	Health Services	571,361	601,611	533,971	67,640
0034	Student (Pupil) Transportation	3,492,677	3,547,677	3,313,587	234,090
0036	Extracurricular Activities	1,578,293	1,722,859	1,513,138	209,721
0041	General Administration	2,524,531	2,526,781	2,239,615	287,166
0051	Facilities Maintenance and Operations	7,874,665	7,967,559	7,258,685	708,874
0052	Security and Monitoring Services	341,000	382,901	304,710	78,191
0053	Data Processing Services	1,295,448	1,271,464	1,192,588	78,876
0061	Community Services	223,737	343,567	138,004	205,563
Capital Outlay:					
0081	Facilities Acquisition and Construction	340,000	340,000	8,007	331,993
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	2,477,149	2,477,149	1,996,267	480,882
0095	Payments to Juvenile Justice Alternative Ed.	170,000	210,000	143,493	66,507
6030	Total Expenditures	66,694,469	66,988,566	62,954,933	4,033,633
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,853,493)	(2,012,597)	7,192,349	9,204,946
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	5,000	-	(5,000)
8911	Transfers Out (Use)	-	-	(157)	(157)
7080	Total Other Financing Sources (Uses)	-	5,000	(157)	(5,157)
1200	Net Change in Fund Balances	(1,853,493)	(2,007,597)	7,192,192	9,199,789
0100	Fund Balance - September 1 (Beginning)	24,469,866	24,469,866	24,469,866	-
3000	Fund Balance - August 31 (Ending)	\$ 22,616,373	\$ 22,462,269	\$ 31,662,058	\$ 9,199,789

**DICKINSON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AUGUST 31, 2013**

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 ending August 31, 2013.

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, 2012. 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, 2013

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	\$ -	\$ -	\$ -	\$ 2,329,823
1240	Receivables from Other Governments	148,609	178,450	3,061	99,815
1290	Other Receivables	-	-	-	24,596
1300	Inventories	-	-	-	144,879
1000	Total Assets	<u>\$ 148,609</u>	<u>\$ 178,450</u>	<u>\$ 3,061</u>	<u>\$ 2,599,113</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 18,692	\$ 15,913	\$ -	\$ 158,293
2160	Accrued Wages Payable	-	902	-	62,815
2170	Due to Other Funds	129,917	161,635	3,061	-
2300	Unearned Revenues	-	-	-	97,471
2000	Total Liabilities	<u>148,609</u>	<u>178,450</u>	<u>3,061</u>	<u>318,579</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	47,408
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	1,273,126
Committed Fund Balance:					
3530	Capital Expenditures for Equipment	-	-	-	960,000
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,280,534</u>
4000	Total Liabilities and Fund Balances	<u>\$ 148,609</u>	<u>\$ 178,450</u>	<u>\$ 3,061</u>	<u>\$ 2,599,113</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	404 Student Success Initiative	410 Instructional Materials Allotment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,221
-	27,089	11,006	63,504	-	-	3,957	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 27,089</u>	<u>\$ 11,006</u>	<u>\$ 63,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,957</u>	<u>\$ 116,221</u>
\$ -	\$ 49	\$ 241	\$ 17,054	\$ -	\$ -	\$ -	\$ 99,792
-	-	-	-	-	-	-	-
-	27,040	10,765	46,450	-	-	3,957	-
-	-	-	-	-	-	-	16,429
<u>-</u>	<u>27,089</u>	<u>11,006</u>	<u>63,504</u>	<u>-</u>	<u>-</u>	<u>3,957</u>	<u>116,221</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 27,089</u>	<u>\$ 11,006</u>	<u>\$ 63,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,957</u>	<u>\$ 116,221</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data Control Codes		411 Technology Allotment	429 Other State Special Revenue Funds	446 SSA - Transforming Lives Cooper	447 SSA - Coastal Alternative Program
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 2,634	\$ -	\$ -
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	42,094	305,623
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 2,634</u>	<u>\$ 42,094</u>	<u>\$ 305,623</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 857
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	40,822	237,183
2300	Unearned Revenues	-	2,634	1,272	67,583
2000	Total Liabilities	<u>-</u>	<u>2,634</u>	<u>42,094</u>	<u>305,623</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3530	Capital Expenditures for Equipment	-	-	-	-
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 2,634</u>	<u>\$ 42,094</u>	<u>\$ 305,623</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 679,391	\$ 3,128,069
-	535,491
6,750	379,063
-	144,879
<u>\$ 686,141</u>	<u>\$ 4,187,502</u>
\$ 43,511	\$ 354,402
-	63,717
-	660,830
-	185,389
<u>43,511</u>	<u>1,264,338</u>
-	47,408
-	1,273,126
-	960,000
642,630	642,630
<u>642,630</u>	<u>2,923,164</u>
<u>\$ 686,141</u>	<u>\$ 4,187,502</u>

DICKINSON INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ -	\$ -	\$ -	\$ 1,334,447
5800	State Program Revenues	-	-	-	135,891
5900	Federal Program Revenues	1,683,239	1,633,095	35,129	3,764,699
5020	Total Revenues	1,683,239	1,633,095	35,129	5,235,037
EXPENDITURES:					
Current:					
0011	Instruction	1,514,602	1,173,761	35,129	-
0012	Instructional Resources and Media Services	27,259	-	-	-
0013	Curriculum and Instructional Staff Development	124,100	45,360	-	-
0021	Instructional Leadership	2,090	37,227	-	-
0023	School Leadership	-	1,296	-	-
0031	Guidance, Counseling and Evaluation Services	1,121	348,057	-	-
0032	Social Work Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	4,920,094
0036	Extracurricular Activities	-	1,399	-	-
0041	General Administration	150	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	157
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	13,917	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	25,995	-	-
6030	Total Expenditures	1,683,239	1,633,095	35,129	4,920,251
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	314,786
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	157
7080	Total Other Financing Sources (Uses)	-	-	-	157
1200	Net Change in Fund Balance	-	-	-	314,943
0100	Fund Balance - September 1 (Beginning)	-	-	-	1,965,591
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 2,280,534



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	404 Student Success Initiative	410 Instructional Materials Allotment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	6,778	39,565	350,147
102,856	245,625	99,397	1,365,996	14,482	-	-	-
102,856	245,625	99,397	1,365,996	14,482	6,778	39,565	350,147
94,209	152,133	94,474	1,095,617	14,482	6,778	39,565	350,147
-	-	-	-	-	-	-	-
7,163	33,527	4,452	95,670	-	-	-	-
-	49,483	138	60,546	-	-	-	-
1,484	10,140	333	4,693	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	26,973	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	342	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	82,497	-	-	-	-
-	-	-	-	-	-	-	-
102,856	245,625	99,397	1,365,996	14,482	6,778	39,565	350,147
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DICKINSON INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		411 Technology Allotment	429 Other State Special Revenue Funds	446 SSA - Transforming Lives Cooper	447 SSA - Coastal Alternative Program
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 115,657	\$ 546,637
5800	State Program Revenues	-	311	38,537	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	-	311	154,194	546,637
EXPENDITURES:					
Current:					
0011	Instruction	700	-	154,194	415,509
0012	Instructional Resources and Media Services	-	311	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	27,295
0023	School Leadership	-	-	-	103,833
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	700	311	154,194	546,637
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(700)	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	(700)	-	-	-
0100	Fund Balance - September 1 (Beginning)	700	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 590,583	\$ 2,587,324
-	571,229
-	8,944,518
590,583	12,103,071
154,912	5,296,212
13,649	41,219
582	310,854
-	176,779
47,580	169,359
-	349,178
-	26,973
964	964
-	4,920,094
366,026	367,425
-	492
15,962	16,119
250	250
436	96,850
-	25,995
600,361	11,798,763
(9,778)	304,308
-	157
-	157
(9,778)	304,465
652,408	2,618,699
\$ 642,630	\$ 2,923,164

This page left blank intentionally.

## **COMPLIANCE SCHEDULES**

DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)	
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	
	Maintenance	Debt Service		
2004 and prior years	Various	Various	\$	Various
2005	1.500000	0.238000		1,273,286,632
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 (School year under audit)	1.040000	0.500000		2,377,857,727
1000 TOTALS				

## EXHIBIT H-1

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 533,734	\$ -	\$ 11,574	\$ 1,710	\$ (61,489)	\$ 458,961
119,730	-	5,226	829	(1,592)	112,083
133,117	-	8,493	1,421	(1,858)	121,345
142,937	-	14,881	3,845	(2,731)	121,480
130,255	-	15,239	5,715	(2,374)	106,927
181,175	-	29,427	13,016	31,245	169,977
300,054	-	53,493	23,866	27,581	250,276
400,362	-	115,694	55,622	31,140	260,186
905,491	-	354,207	170,292	8,128	389,120
-	36,619,009	25,348,816	12,186,931	1,675,855	759,117
<u>\$ 2,846,855</u>	<u>\$ 36,619,009</u>	<u>\$ 25,957,050</u>	<u>\$ 12,463,247</u>	<u>\$ 1,703,905</u>	<u>\$ 2,749,472</u>

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

DICKINSON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2013

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 7,382	\$ -	\$ 233,772	\$ 1,083,706	\$ -	\$ 148,929	\$ 1,473,789
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	1,250	-	-	1,250
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	62,073	3,070	-	-	-	-	65,143
6212	Audit Services	-	-	-	60,550	-	-	60,550
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	294,306	-	-	-	-	294,306
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	5,755	-	-	5,755
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	2,100	-	-	2,100
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,901	-	33,222	39,123
6290	Miscellaneous Contr.	39,864	-	5,740	18,186	-	10,311	74,101
6320	Textbooks and Reading	-	-	355	314	-	-	669
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	11,358	39,385	-	47,599	98,342
6410	Travel, Subsistence, Stipends	1,370	-	6,673	19,098	-	2,006	29,147
6420	Ins. and Bonding Costs	-	-	-	36,396	-	-	36,396
6430	Election Costs	9,443	-	-	-	-	-	9,443
6490	Miscellaneous Operating	1,070	-	9,575	26,096	-	4,700	41,441
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	8,552	8,552
6000	TOTAL	\$ 121,202	\$ 297,376	\$ 267,473	\$ 1,298,737	\$ -	\$ 255,319	\$ 2,240,107

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 74,753,696

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 821,027
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	7,160,523
Food (Function 35, 6341 and 6499)	(13)	2,066,200
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		1,298,737

SubTotal: 11,346,487

Net Allowed Direct Cost \$ 63,407,209

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 266,781,903
Historical Cost of Building over 50 years old	(16)	\$ 614,787
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 20,713,488
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 1,923,878

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.



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, 2013

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	\$ 1,842,988	\$ 1,842,988	\$ 1,334,447	\$ (508,541)
5800	State Program Revenues	149,680	149,680	135,891	(13,789)
5900	Federal Program Revenues	3,904,000	3,904,000	3,764,699	(139,301)
5020	Total Revenues	5,896,668	5,896,668	5,235,037	(661,631)
EXPENDITURES:					
0035	Food Services	5,870,668	5,872,103	4,920,094	952,009
0051	Facilities Maintenance and Operations	26,000	26,000	157	25,843
6030	Total Expenditures	5,896,668	5,898,103	4,920,251	977,852
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,435)	314,786	316,221
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	157	157
7080	Total Other Financing Sources (Uses)	-	-	157	157
1200	Net Change in Fund Balances	-	(1,435)	314,943	316,378
0100	Fund Balance - September 1 (Beginning)	1,965,591	1,965,591	1,965,591	-
3000	Fund Balance - August 31 (Ending)	\$ 1,965,591	\$ 1,964,156	\$ 2,280,534	\$ 316,378

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, 2013

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	\$ 12,180,500	\$ 12,180,500	\$ 12,649,294	\$ 468,794
5800 State Program Revenues	1,900,000	2,200,000	2,197,396	(2,604)
5900 Federal Program Revenues	628,000	628,000	601,402	(26,598)
5020 Total Revenues	14,708,500	15,008,500	15,448,092	439,592
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	2,739,598	5,950,098	2,739,597	3,210,501
0072 Interest on Long Term Debt	13,046,560	9,836,060	13,038,134	(3,202,074)
0073 Bond Issuance Cost and Fees	220,000	520,000	347,997	172,003
6030 Total Expenditures	16,006,158	16,306,158	16,125,728	180,430
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,297,658)	(1,297,658)	(677,636)	620,022
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	-	27,940,000	27,940,000
7916 Premium or Discount on Issuance of Bonds	-	-	359,308	359,308
8940 Payment to Bond Refunding Escrow Agent	-	-	(28,156,012)	(28,156,012)
7080 Total Other Financing Sources (Uses)	-	-	143,296	143,296
1200 Net Change in Fund Balances	(1,297,658)	(1,297,658)	(534,340)	763,318
0100 Fund Balance - September 1 (Beginning)	6,084,149	6,084,149	6,084,149	-
3000 Fund Balance - August 31 (Ending)	\$ 4,786,491	\$ 4,786,491	\$ 5,549,809	\$ 763,318

## **FEDERAL AWARDS SECTION**

**This page left blank intentionally.**

**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, 2013, 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 20, 2013.

**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.

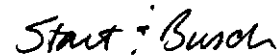
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 20, 2013

# START & BUSCH, LLC

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2013. 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, 2013.

### 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.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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*  
Start & Busch, LLC

Baytown, Texas  
December 20, 2013



**DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

---

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

---

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                      yes           X           no

Significant 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
10.553; 10.555	Child Nutrition Cluster
84.388	Title I SIP Academy Grant - ARRA

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, 2013**

**II. FINANCIAL STATEMENT FINDINGS**

None Noted

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

None Noted

**IV. STATUS OF PRIOR YEAR FINDING**

2012-1 Excess Expenditures over Appropriations

*Recommendation:* The District should review all debt service transactions during the year to ensure that any necessary budget amendments are brought to the Board of Trustees for approval before August 31.

*Action Taken:* The District will closely monitor debt service transactions during the year to ensure the final budget amendment provides for all expenditures.

*Anticipated Completion Date:* Completed by August 2013.

**V. CORRECTIVE ACTION PLAN**

None Noted

DICKINSON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<u>Passed Through Texas Department of Public Safety</u>			
Disaster Grants - FEMA Hurricane Reimbursements	97.036	FEMA - 1791 H lke	\$ 70,205
Total Passed Through Texas Department of Public Safety			\$ 70,205
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>\$ 70,205</b>
 <b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
Reserve Officers' Training Corp. (ROTC)	12.000	TX080083	\$ 60,309
Total Direct Programs			\$ 60,309
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>\$ 60,309</b>
 <b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part D, Subpart 2	84.010	12610103084901	\$ 6,000
*ESEA, Title I, Part D, Subpart 2	84.010	13610103084901	133,386
*ESEA, Title I, Part A - School Improvement Prg.	84.010	13610104084901041	15,000
*ESEA, Title I, Part A - Improving Basic Programs	84.010	13610101084901	1,528,853
Total CFDA Number 84.010			1,683,239
Total Title I, Part A Cluster			1,683,239
*IDEA - Part B, Formula	84.027	136600010849016600	1,633,095
*IDEA - Part B, Preschool	84.173	136610010849016610	35,129
Total Special Education Cluster (IDEA)			1,668,224
Career and Technical - Basic Grant	84.048	13420006084901	102,856
Title III, Part A - English Language Acquisition	84.365	13671001084901	99,397
ESEA, Title II, Part A, Teacher/Principal Training	84.367	13694501084901	245,625
Title I SIP Academy Grant - ARRA	84.388	105520017110016	1,365,996
Bilingual Summer School	84.369	69551202	14,482
Total Passed Through State Department of Education			\$ 5,179,819
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 5,179,819</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Department of Health</u>			
Medicaid Administrative Claiming Program - MAC	93.778	084901	\$ 39,290
Total Passed Through Texas Department of Health			\$ 39,290
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 39,290</b>

DICKINSON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401301	\$ 842,408
*National School Lunch Program - Cash Assistance	10.555	71301301	2,716,978
*National School Lunch Prog. - Non-Cash Assistance	10.555	084901	195,313
Total CFDA Number 10.555			<u>2,912,291</u>
Total Child Nutrition Cluster			<u>3,754,699</u>
Team Nutrition Grants (IHUSC)	10.574	084901	<u>10,000</u>
Total Passed Through the State Department of Agriculture			<u>\$ 3,764,699</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 3,764,699</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 9,114,322</u>

\*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, 2013**

**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)	\$	9,114,322
Medicaid SHARS federal revenue accounted for in the General Fund		1,723,890
E-Rate/Fuel rebate reimbursements		461,068
IRS credit payment accounted for in the Debt Service Fund		601,402
Federal program revenues (Exhibit C-3)	\$	<u>11,900,682</u>

# SCHOOLS FIRST QUESTIONNAIRE

Dickinson Independent School District

Fiscal Year 2013

---

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.	\$5,710,063