

Dripping Springs Independent School District



FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS

2011 Annual Financial Management Report For the Year Ending June 30, 2010

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**DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHOOLS FIRST REPORT FOR 2009-2010**

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Introduction

Senate Bill (SB) 218 of the 77th Legislature (2001) authorized the implementation of a financial accountability rating system, which is officially referred to as **Schools FIRST**. The primary goal of **Schools FIRST** is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

Many business-related issues are covered in this report. The primary reporting tool, however, is the Financial Accountability Ratings Worksheet. This worksheet was developed by representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO). It is administered by TEA and calculated on information submitted to the Agency via our Public Education Information Management System (PEIMS) submission each year and other documentation procured by TEA.

The **Schools FIRST** accountability rating system has 22 indicators and 4 ratings. A district rating is based as follows:

DETERMINATION OF RATING

A.	Did The District Answer ' No ' To Indicators 1, 2, 3, Or 4? OR Did The District Answer ' No ' To Both 5 and 6? If So, The District's Rating Is Substandard Achievement .	
B.	Determine Rating By Applicable Range For Summation Of The Indicator Scores (Indicators 7-24)	
	Superior Achievement	72-80 and Yes to Indicator 7
	Above Standard Achievement	64-71 or ≥ 72 and No to Indicator 7
	Standard Achievement	56-63
	Substandard Achievement	< 56 or No to One Default Indicator

The accuracy of PEIMS data has always been critical on the student side of the submission, and this reporting requirement adds a high degree of importance to our finance submission each year. Districts with serious data quality problems may receive the additional rating of "**Suspended – Data Quality**."

Last year the District received a rating of "**Superior Achievement**", scoring 80 out of a possible 80 on the financial accountability worksheet. This rating was based upon data reported for the 2008-2009 school year.

Currently, the District enjoys a rating of "**Superior Achievement**". The school district's **Schools FIRST** rating is based upon an analysis of staff and student data reported for the 2009-2010 school year, and budgetary and actual financial data for the 2010 fiscal year (the fiscal period ended June 30, 2010). The worksheet itself and a discussion of its salient points follow.



Financial Integrity Rating System of Texas

2008-2009 FISCAL YEAR		2009-2010 FISCAL YEAR		
Status: Passed		Status: Passed		
Rating: Superior Achievement		Rating: Superior Achievement		
District Score: 80		District Score: 78		
#	Indicator Description	2009	2010	Description of Indicator
1	Was The Total Fund Balance Less Reserved Fund Balance Greater Than Zero In The General Fund?	Yes	Yes	School districts must legally have a fund balance to ensure adequate funding for operations. This indicator is designed to ensure that the district has a positive amount of fund balance cash (savings) that is not designated or "reserved" for a specific purpose. In other words, "Does the district have funds set aside for a rainy day?"
2	Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)	Yes	Yes	This indicator simply asks, "Did the district's total assets exceed the total amount of liabilities (according to the very first financial statement in the annual audit report)?" Fortunately this indicator recognizes that high-growth districts incur large amounts of debt to fund construction, and that total debt may exceed the total amount of assets under certain scenarios.
3	Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?	Yes	Yes	This indicator seeks to make certain that the district has paid the bills/obligations on bonds issued to pay for school construction, etc.
4	Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?	Yes	Yes	A simple indicator. Was the Annual Financial Report filed by the deadline?
5	Was There An Unqualified Opinion in Annual Financial Report?	Yes	Yes	A "qualification" on the financial report means that the district needs to correct some of the reporting or financial controls. A district's goal, therefore, is to receive an "unqualified opinion" on its Annual Financial Report. This is a simple "Yes" or "No" indicator.
6	Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?	Yes	Yes	A clean audit of the Annual Financial Report would state that the district has no material weaknesses in internal controls. Any internal weaknesses create a risk of the district not being able to properly account for

				its use of public funds, and should be immediately addressed.
7	Did the District's Academic Rating Exceed Academically Unacceptable?	5	5	This indicator simply asks whether the district's accreditation status is in good standing.
8	Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?	5	5	This indicator measures the district's success in collecting the taxes owed by the community's businesses and homeowners, placing a 98 percent minimum collections standard. The district must collect 98 percent or more of the taxes, including any delinquent taxes owed from past years. A district earns up to five points under this indicator based upon its relative performance.
9	Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?	5	5	This indicator measures the quality of data reported to PEIMS and in the Annual Financial Report to make certain that the data reported in each case "matches up." If the difference in numbers reported in any fund type is more than 3 percent, the district "fails" this measure.
10	Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)	5	5	This indicator shows the Legislature's intent for school districts to spend money on education, rather than fancy buildings, by limiting the amount of money districts can spend on debt to \$350 per student. Fortunately, the Legislature did allow for fast-growth schools to exceed this cap. A district earns up to five points under this indicator based upon its relative performance.
11	Was There NO Disclosure In The Annual Audit Report Of Material Noncompliance?	5	5	NO disclosure means the Annual Audit Report includes no disclosure indicating that the school district failed to comply with laws, rules and regulations for a government entity.
12	Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)	5	5	Did TEA take over control of the district due to financial issues such as fraud or having a negative fund balance? If not, the district passes this indicator.
13	Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources And Fund Balance In General Fund?	5	5	Did the district overspend the budget? The district will receive a negative rating on this measure if total expenditures and other uses for the fiscal year exceeded your total funds available.
14	If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)	5	5	Did the district over-spend on school buildings or other capital projects? This indicator measures the district's ability to construct facilities without damaging the Fund Balance.
15	Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal	5	5	This indicator measures whether or not the district has sufficient cash and investments

<p>To Net Delinquent Taxes Receivables) In The General Fund Greater Than or Equal to 1:1? (If Deferred Revenues Less Than Net Delinquent Taxes Receivable)</p>			<p>to balance Fund Balance monies such as TEA overpayments (deferred revenues). In other words, the district should have fund balance monies of its own that are at least equal to those dollars that are there due to overpayments from TEA, and should not be spending "next year's" monies this year. A district earns up to five points under this indicator based upon its relative performance.</p>																				
<p>16 Was The Administrative Cost Ratio Less Than The Threshold Ratio?</p>	5	5	<p>This indicator measures the percentage of the budget that Texas school districts spent on administration. Did the district exceed the cap in School FIRST for the district's size?</p>																				
<p>17 Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</p> <p style="text-align: center;">Indicator 17</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">District Size-No. of Students Between</th> <th colspan="2">Ranges for Ratios</th> </tr> <tr> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>< 500</td> <td>7</td> <td>22</td> </tr> <tr> <td>500 - 999</td> <td>10</td> <td>22</td> </tr> <tr> <td>1,000 - 4,999</td> <td>11.5</td> <td>22</td> </tr> <tr> <td>5,000 - 9,999</td> <td>13</td> <td>22</td> </tr> <tr> <td>= > 10,000</td> <td>13.5</td> <td>22</td> </tr> </tbody> </table>	District Size-No. of Students Between	Ranges for Ratios		Low	High	< 500	7	22	500 - 999	10	22	1,000 - 4,999	11.5	22	5,000 - 9,999	13	22	= > 10,000	13.5	22	5	5	<p>This indicator measures the pupil-teacher ratio to ensure that it is within TEA's recommended ranges for the district's student population range. For example, districts with a student population between 500 and 1,000 should have no more than 22 students per teacher and no fewer than 10 students per teacher. A district earns up to five points under this indicator based upon its relative performance.</p>
District Size-No. of Students Between		Ranges for Ratios																					
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< 500	7	22																					
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<p>18 Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</p> <p style="text-align: center;">Indicator 18</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">District Size-No. of Students Between</th> <th colspan="2">Ranges for Ratios</th> </tr> <tr> <th>Low</th> <th>High</th> </tr> </thead> <tbody> <tr> <td>< 500</td> <td>5</td> <td>14</td> </tr> <tr> <td>500 - 999</td> <td>5.8</td> <td>14</td> </tr> <tr> <td>1,000 - 4,999</td> <td>6.3</td> <td>14</td> </tr> <tr> <td>5,000 - 9,999</td> <td>6.8</td> <td>14</td> </tr> <tr> <td>= > 10,000</td> <td>7</td> <td>14</td> </tr> </tbody> </table>	District Size-No. of Students Between	Ranges for Ratios		Low	High	< 500	5	14	500 - 999	5.8	14	1,000 - 4,999	6.3	14	5,000 - 9,999	6.8	14	= > 10,000	7	14	5	5	<p>This indicator measures the pupil-staff ratio to ensure that it is within TEA's recommended ranges for the district's student population range. For example, districts with a student population between 500 and 1,000 should have no more than 14 students per staff member and no fewer than 5.8 students per district employee. A district earns up to five points under this indicator based upon its relative performance</p>
District Size-No. of Students Between		Ranges for Ratios																					
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< 500	5	14																					
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<p>19 Was The Total Fund Balance In The General Fund More Than 50% And Less Than 150% Of Optimum According To The Fund Balance And Cash Flow Calculation Worksheet In The Annual Financial Report?</p>	5	5	<p>The district's audit provides an optimum General Fund "Fund Balance" for the district. The district should have no less than one-half and no more than one and one-half times this amount in the Fund Balance, counting both reserved and unreserved fund balances. A district earns up to five points under this indicator based upon its relative performance</p>																				
<p>20 Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If 1.5 Times Optimum Fund Balance < Total Fund Balance In General Fund Or If Total Revenues > Operating Expenditures In The General Fund, Then District Receives 5 Points)</p>	5	5	<p>Is the district "feeding off of the Fund Balance" to pay for salaries or other operating expenses? This indicator notes rapid decreases in the undesignated Fund Balance (those dollars not designated as a "land fund" or "construction fund") or emergency fund. A district earns up to five points under this indicator based upon its relative performance.</p>																				
<p>21 Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</p>	5	5	<p>Does the district have cash in the bank, and/or investments?</p>																				
<p>22 Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital</p>	5	3	<p>Is the district using the cash or reserve fund (Fund Balance) monies wisely? A district</p>																				

Projects Fund) More Than \$20 Per Student?		earns up to five points under this indicator based upon its relative performance.
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Critical Indicators

Criteria #1 through #6 are the critical indicators. Any “NO” response in this category is a signal indicator of fiscal distress. These six criteria revolve around the audit report, fund balance and the auditor’s findings. School Districts must legally have a fund balance to ensure adequate funding for operations. If General Fund Balance is greater than zero and the auditors issue a “clean” opinion, a District will pass the critical indicators. For the 2010 fiscal year, Dripping Springs ISD had a General Fund Balance less reserves of \$19,375,348 and passed all other critical indicator criteria. For the 2009 fiscal year, the DSISD had a General Fund Balance less reserves of \$19,640,476.

District Accreditation

Criterion #7 concerns the district’s academic accreditation status. If a district’s academic rating does not exceed “*Academically Unacceptable*”, their rating can be no higher than “*Above Standard Achievement*”. Dripping Springs ISD was rated “*Exemplary*” and received 5 points for Criterion #7.

Fiscal Responsibility

Criteria #8 through #12 concern fiscal responsibility. Dripping Springs ISD’s percentage of tax collections exceeds the 98% standard and received 5 points. While the District’s debt per student is more than the \$350 rate set in Criterion #10, the District received 5 points because student population growth the last 5 years exceeded 7%. Criterion #11 concerns the audit and Criterion #12 concerns the financial accreditation status of the District. The District received 5 points for each of these two criteria.

Budgeting

Overview of the Worksheet

Criteria #13 through #15 concern the District’s budgeting, management and cash flow practices. The District adequately funds its budget and capital projects. Most importantly, as addressed in Criterion #15, the District does not spend cash it cannot afford to spend or cannot recognize as revenue.

Personnel

Criteria #16 through #18 address staffing patterns. The District’s administrative cost ratios were below that of the State standard of 14.01% at 8.55% for the 2010 year. Criteria #17 and #18 specifically deal with students to classroom teachers and students to total staff. A District must fall into a certain range to meet these criteria, which means understaffing or overstaffing can cause a district to lose points. For the 2010 year, the District falls safely within the prescribed ranges for each criterion at 15.9939 students per classroom teacher and 7.6054 students per employee. Therefore, the District received the maximum 5 points for each of the three criteria.

Cash Management

The final four criteria deal with cash management practices. Criterion #19 concerns the fund balance figure and whether it is too high or low. Dripping Springs ISD’s General Fund Balance of \$20,462,752 for the 2010 year falls well within the range for the TEA calculated optimum fund balance, so the District received the maximum 5 points for this

criterion. Criterion #20 deals with any decrease in General Fund Balance over two years. Since our fund balance increased in each year, the District easily met this criterion. Cash and Investments were greater than \$0, so Criterion #21 was easily surpassed, Investment earnings were just short of the standard of \$20 per student set forth in Criterion #22 so that is the only indicator for which the District did not receive a perfect score. This is a result of the lower interest rate environment in the current economy.