



DRIPPING SPRINGS
Independent School District

**Annual Financial
Accountability Management
Report**

**2016-2017 Rating
2015-2016 Fiscal Year Data**

Rating: “A” – Superior

Dripping Springs Independent School District Annual Financial Accountability Management Report

Introduction

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. This is the 14th year of the School FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The Schools FIRST report underwent sweeping changes under HB 5, Section 49, of the 83rd Texas Legislature, Regular Session, 2013. Those changes require the commissioner of education to include processes in the financial accountability rating system for anticipating the future financial solvency of each school district and open enrollment charter school. The Commissioner's Rule for School FIRST changes under HB 5 were finalized in August 2015.

The changes to the School FIRST system implemented by the Texas Education Agency in August 2015 are being phased-in over three years. During the phase-in period, the new School FIRST system has separate worksheets for rating years 2014-2015, 2015-2016, and 2016-2017 and subsequent years. The worksheet for rating year 2014-2015 contains only 7 indicators as opposed to the 20 indicators used in 2013-2014. The worksheets for rating years 2015-2016 and 2016-2017 increases to 15 indicators. Also, the worksheet for rating year 2016-2017 will require higher scores for select ratings compared to the worksheet for rating year 2015-2016.

Legislative rules require the district to present a FIRST management report, which covers any business-related issues. The district must advertise and hold a public meeting to discuss the report. The district's School FIRST rating is based upon an analysis of data reported for the 2015-2016 school year. This information is submitted through the district's annual PEIMS (Public Education Information Management System) submissions.

The financial accountability rating of the district is based on its overall performance on certain financial measurements, ratios, and other indicators established by the commissioner of education with the financial accountability rating worksheet.

For the first 12 years of the reporting system, Dripping Springs ISD received ratings of **"Superior Achievement"**. A significant change under HB 5 in 2013 was to move to a rating

scale of simply **“Pass”** or **“Fail”**. For the 2014-2015 rating year, Dripping Springs ISD was rated as “Pass” and achieved a score of 30 out of 30 with positive responses to each of the 7 indicators on the worksheet. For the current rating year, 2015-2016, the district is once again rated as Superior with a score of 100 out of 100. This report briefly focuses on how this passing rating was achieved.

Schools FIRST
Financial Integrity Rating System of Texas
Dripping Springs Independent School District
2016 - 2017 Rating based on 2015 - 2016 Data

State Indicator	Indicator Background	State Yes or Points Avail.	DSISD 15-16 Result
<p>1. Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</p> <p>Additional Information: <i>Dripping Springs ISD's Fiscal Year end date is June 30. The November deadline is applicable to Dripping Springs ISD. TEA received the audit report on November 16, 2016 which was within the deadline.</i></p>	<p>Was the Annual Financial Report filed with TEA by the deadline?</p>	Yes	Yes
<p>2. Indicator 2 is based on the district's AFR. The school district must pass 2.A to pass this indicator. The district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A. and 2.B.</p> <p>2.A. Was there an Unmodified Opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</p> <p>Additional Information: <i>Weaver and Tidwell, L.L.P., the District's external auditors, issued an unmodified opinion for the year ending June 30, 2016.</i></p>	<p>A "modified" version of the auditor's opinion in the annual audit report means that there are corrections needed in reporting or financial controls. A district's goal, therefore, is to receive an "unmodified opinion" on its Annual Financial Report. This is a simple "Yes" or "No" indicator.</p>	Yes	Yes
<p>2.B. Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)</p> <p>Additional Information: <i>Weaver and Tidwell, L.L.P., the District's external auditors, reported no material weaknesses in the 2015-2016 audit.</i></p>	<p>A clean audit of the Annual Financial Report would state the District has no material weaknesses in the 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. This is a simple "Yes" or "No" indicator.</p>	Yes	Yes

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State Indicator	Indicator Background	State Yes or Points Avail.	DSISD 15-16 Result
<p>3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</p> <p>Additional Information: <i>Dripping Springs ISD has never defaulted on any of its bond indebtedness obligations. Payments on all debt agreements were made timely.</i></p>	<p>This indicator seeks to make certain that the District has paid its bill/obligations on financing arrangements to pay for construction, buses, copiers, etc.</p>	Yes	Yes
<p>4. Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?</p> <p>Additional Information: <i>Dripping Springs ISD is current with all payments due other government agencies.</i></p>	<p>This indicator seeks to make sure the district fulfilled its obligation to the TRS, TWC and IRS to transfer payroll withholdings and to fulfill any additional payroll-related obligations required to be paid by the district.</p>	Yes	Yes
<p>5. Was the total unrestricted net position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</p> <p>Additional Information: <i>The District's Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) was \$21.5 million as of June 30, 2016.</i></p>	<p>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)?" This indicator does recognize 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.</p>	Yes	Yes

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<p>6. Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?</p> <p>Additional Information: <i>The District received all 10 points available based on cash on hand and investments to cover just over 196 days.</i></p>	<p>This indicator measures how long in days after the end of the fiscal year the district could have disbursed funds for its operating expenditures without receiving any new revenues. Did the district meet or exceed the target amount?</p>	10	10
<p>7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?</p> <p>Additional Information: <i>Points are earned based on where the District's ratio falls on a sliding scale. To achieve the full 10 points assigned to this measure, the District's ratio of assets to debt must exceed 3 percent. For the 2015-2016 period, the district's ratio of assets to debt was 3.9%.</i></p>	<p>This indicator measures whether the district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. Did the district meet or exceed the target amount?</p>	10	10
<p>8. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</p> <p>Additional Information: <i>While total assets exceeded the district's long-term liabilities, the district's student membership also increased by 22% for the five year period between 2012 and 2016.</i></p>	<p>This indicator questions the district's debt to "market value" of the assets that debt is attributable to. This indicator recognizes that fast-growth districts incur additional operating costs to open new campuses.</p>	10	10
<p>9. Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?</p> <p>Additional Information: <i>The district met the requirement of 60 days cash on hand with total cash and investments covering 196 days.</i></p>	<p>This indicators ask simply "did the district spend more than it earned?" If the district had at least 60 days cash on hand the indicator is automatically passed.</p>	10	10

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State Indicator	Indicator Background	State Yes or Points Avail.	DSISD 15-16 Result
<p>10. Was the debt service coverage ratio sufficient to meet the required debt service?</p> <p>Additional Information: <i>The district's ratio for 2015-2016 was 1.9637 exceeding the target amount of 1.20 to receive full points.</i></p>	<p>This indicator asks about the district's ability to make debt principal and interest payments that will become due during the next year. Did the district meet or exceed the target amount?</p>	10	10
<p>11. Was the school district's administrative cost ratio equal to or less than the threshold ratio?</p> <p>Additional Information: <i>Points are earned based on where the District's ratio falls on a sliding scale. To achieve the full 10 points assigned to this measure, the District's administrative cost ratio must be below 10%.</i></p> <p><i>The State of Texas establishes limits on the amount of money school districts are allowed to spend on administrative costs. The limit is set as a ratio of administrative costs to instructional costs and is titled the "Administrative Cost Ratio". Administrative costs are defined as Instructional Leadership and General Administration. Instructional Leadership includes costs to provide leadership for staff and all instructional services. This excludes campus leadership. General Administration includes costs for managing the school district as an overall entity. The District's administrative cost ratio for 2015-2016 was 8.65, which is below the level (10%) required to score full points on this measure.</i></p>	<p>This indicator measures the percentage of a district's budget that was spent on administration. Did the District exceed the cap in School FIRST for districts its size?</p>	10	10
<p>12. Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)</p> <p>Additional Information: <i>The district's enrollment for the three-year period of 2013-2014 thru 2015-2016 increased by 512 students.</i></p>	<p>If a decline in students over the 3 school years was experienced, this indicator asks if the district decreased the number of staff on payroll in proportion to the decline in students. (This indicator is automatically passed if there was no decline in students.)</p>	10	10

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<p>13. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?</p> <p>Additional Information: <i>There were no significant differences between the Annual Financial Report and the PEIMS financial data.</i></p>	<p>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.</p>	10	10
<p>14. Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)</p> <p>Additional Information: <i>Weaver and Tidwell, L.L.P., the District's external auditors, reported no material noncompliance for grants, contracts, and laws related to local, state, or federal funds in the 2015-2016 audit.</i></p>	<p>A clean audit of the Annual Financial Report would state the district has no material weaknesses in the 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. This is a simple "Yes" or "No" indicator.</p>	10	10
<p>15. Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?</p> <p>Additional Information: <i>The district did not request a payment plan as state aid was not overspent.</i></p>	<p>This indicator asks if the district had to ask for an easy payment plan to return monies to TEA after spending the overpayment from the Foundation School Program state aid.</p>	10	10
Total Points Available/Earned		100	100

Required Supplementary Information

The District's annual financial management report must include specific disclosures regarding the superintendent's contract, reimbursements received by the superintendent and board members and other compensation and gifts received. This information is being presented below to comply with the requirements.

Superintendent's Current Employment Contract

A copy of the superintendent's current employment contract at the time of the School FIRST hearing is to be provided. In lieu of publication in the annual School FIRST financial management report, the school district may choose to publish the superintendent's employment contract on the school district's internet site. If published on the internet, the contract is to remain accessible for twelve months.

A copy of the superintendent's current employment contract is published on the district's internet site.

Reimbursements Received by the Superintendent and Board Members

A summary schedule for the twelve-month period of total reimbursements received by the superintendent and each board member is to be included in the annual financial management report. All reimbursement expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. The summary schedule is to report separately items per category including:

Meals – Meals consumed out of town, and in-district meals at area restaurants (outside of board meetings, excludes catered board meeting meals);

Lodging – Hotel charges;

Transportation – Airfare, car rental (can include fuel on rental, taxis, mileage reimbursements, leased cars, parking and tolls); Motor fuel – Gasoline;

Other – Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.

The disclosure of reimbursements received by the Superintendent and Board Members is provided at the end of this report.

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services

A summary schedule for the fiscal year of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services is to be reported.

The disclosure of outside compensation received by the Superintendent for professional consulting and/or other personal services is provided at the end of this report.

Gifts Received by Executive Officers and Board Members

An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification for local officials. A summary schedule for the fiscal year of the total dollar amount of gifts that had an economic value of \$250 or more in the aggregate is to be reported for the executive officers and board members of the district. This reporting requirement only applies to gifts received by the school district's executive officers and board member from an outside entity that received payments from the school district in the prior fiscal year and gifts from competing vendors that were not awarded contracts in the prior fiscal year.

The disclosure of gifts received by Executive Offices and Board Members is provided at the end of this report.

Business Transactions Between School District and Board Members

Finally, a summary schedule for the fiscal year of the dollar amount by board member for the aggregate amount of business transactions with the school district is to be included. This reporting requirement is not to duplicate the items disclosed in the schedule of reimbursements.

The disclosure of business transactions between the school district and Board Members is provided at the end of this report.

Dripping Springs Independent School District



Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2015-2016

For the Twelve-Month Period Ended June 30, 2015	Superintendent Bruce Gearing	Mary Jane Hetrick	Ron Jones	Carrie Kroll	Shannon O'Connor	Shelly Reeves	Barbara Stroud	Jon Thompson
Description of Reimbursements								
Meals	\$ 364.30	\$ -	\$ -	\$ -	\$ -	\$ 32.00	\$ -	\$ 81.85
Lodging	1,108.18	514.64	514.64	-	514.64	514.64	2,398.79	514.64
Transportation	1,666.49	173.53	-	-	-	-	281.62	81.11
Motor Fuel	-	-	-	-	-	-	-	-
Other-Registrations	1,834.00	425.00	425.00	535.00	585.00	535.00	1,300.00	375.00
Total	\$ 4,972.97	\$ 1,113.17	\$ 939.64	\$ 535.00	\$ 1,099.64	\$ 1,081.64	\$ 3,980.41	\$ 1,052.60

Dripping Springs Independent School District

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2015-2016

For the Twelve-Month Period Ended June 30, 2016	Superintendent Bruce Gearing
	\$ -
Total	\$ -

TEA FIRST Report
Dripping Springs Independent School District
2016-2017 FIRST Rating

RATING YEAR



Financial Integrity Rating System of Texas

2016-2017 RATINGS BASED ON SCHOOL YEAR 2015-2016 DATA - DISTRICT STATUS DETAIL

Name: DRIPPING SPRINGS ISD(105904)	Publication Level 1: 8/8/2017 2:29:29 PM
Status: Passed	Publication Level 2: 8/8/2017 2:29:29 PM
Rating: A = Superior	Last Updated: 8/8/2017 2:29:29 PM
District Score: 100	Passing Score: 60

#	Indicator Description	Updated	Score
1	<u>Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</u>	3/28/2017 11:42:45 AM	Yes
2	Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.		
2.A	<u>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</u>	3/28/2017 11:42:45 AM	Yes
2.B	<u>Did the external independent auditor report that the AFR was free of any instance (s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)</u>	3/28/2017 11:42:45 AM	Yes
3	<u>Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u>	3/28/2017 11:42:46 AM	Yes
4	<u>Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?</u>	3/28/2017 11:42:46 AM	Yes

5	<u>Was the total unrestricted net position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</u>	3/28/2017 11:42:46 AM	Yes
			1 Multiplier Sum
6	<u>Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? (See ranges below.)</u>	3/28/2017 11:42:46 AM	10
7	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u>	3/28/2017 11:42:47 AM	10
8	<u>Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.) (See ranges below.)</u>	3/28/2017 11:42:47 AM	10
9	<u>Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?</u>	3/28/2017 11:42:47 AM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	5/18/2017 12:26:05 PM	10
11	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	3/28/2017 11:42:48 AM	10
12	<u>Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)</u>	6/21/2017 8:20:53 PM	10
13	<u>Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?</u>	3/28/2017 11:42:49 AM	10
14	<u>Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)</u>	3/28/2017 11:42:49 AM	10
15	<u>Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?</u>	3/28/2017 11:42:49 AM	10
			100 Weighted Sum

		1 Multiplier Sum
		100 Score

DETERMINATION OF RATING

A.	Did the district answer 'No' to Indicators 1, 3, 4, 5, or 2.A? If so, the school district's rating is F for Substandard Achievement regardless of points earned.	
B.	Determine the rating by the applicable number of points. (Indicators 6-15)	
	A = Superior	90-100
	B = Above Standard	80-89
	C = Meets Standard	60-79
	F = Substandard Achievement	<60
<p>No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.</p>		

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FIRST 4.5.9.0