

# Lackland ISD

# Financial Management Report

# 2017-2018

(Based on Fiscal Year 2016-2017 Data)



*Lackland ISD's  
2017-2018 Schools FIRST rating is "A – Superior Achievement"  
with a score of 100!*

## Introduction

The purpose of the financial accountability rating system is to ensure that school districts will be held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes. The system will also disclose the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools. An evaluation of the long-term effectiveness of the system should disclose a measurable improvement in the quality of Texas public schools' financial decision-making processes. (Texas Administrative Code, Chapter 109)

### Background Information:

This rating system was passed and signed into state law in 2001. The first ratings were reported by the Texas Education Agency (TEA) for the 2002-2003 fiscal year. The rating system and indicators have changed over the years.

The most recent changes to the School FIRST system implemented by the Texas Education Agency in August 2018 are being phased-in over three years. During the phase-in period, the new School FIRST system has separate worksheets for rating years 2017-2018, 2018-2019, and 2019-2020 as compared to subsequent years. The most substantive changes in August 2018 will be implemented by the Texas Education Agency beginning with ratings year 2020-2021 based primarily on data from fiscal year 2020.

The worksheet for rating year 2014-2015 contained only 7 indicators and the worksheets for rating years 2015-2016 and 2016-2017 contain 15 indicators. The 15 indicators are listed below:

- #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?
- #2 Review of Annual Financial Report for an unmodified opinion and material weaknesses.
- #3 Was the school district in compliance with the payment terms of all debt agreements at the fiscal year end?
- #4 Did the school district make timely payments to the TRS, TWC, IRS and other government agencies?
- #5 Was the total unrestricted net asset balance in the government activities column of the Statement of Net Assets [Annual Financial Report] greater than zero?
- #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)?
- #7 Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?
- #8 Was the ratio of long-liabilities to total assets for the school district sufficient to support long-term solvency?
- #9 Did the school district' general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)?
- #10 Was the debt service coverage ratio sufficient to meet the required debt service?
- #11 Was the school district's administrative cost ratio equal to or less than the threshold ratio?
- #12 Did the school district not have a 15 percent (15%) decline in the students to staff ratio over 3 years (total enrollment to total staff)?
- #13 Did the comparison of Public Education 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?
- #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?

#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?

During the School FIRST rating (2014-2015), there were only seven (7) indicators as noted below:

- #1 Was the Annual Financial Report (AFR) submitted to TEA by the January 28<sup>th</sup> deadline?
- #2 Was there an unmodified opinion in the AFR on the financial statements as a whole?
- #3 Was the school district in compliance with the payment of all debt at the end of the fiscal year? [Note: Lackland ISD does not have any debt]
- #4 Was the total unrestricted net assets balance greater than zero?
- #5 Was the school district's administrative cost ratio equal to or less than the threshold?
- #6 Did the comparison of PEIMS data to the AFR result in a variance of less than 3%?
- #7 Did the external independent auditor report that the AFR was free of any instances of material weaknesses in internal controls over financial reporting and compliance?

The current rating categories and scoring are noted below:

#### **4 Ratings**

**A – Superior Achievement (90-100 points)**

**B – Above Standard (80-89 points)**

**C – Meets Standard (60-79 points)**

**F – Substandard Achievement (less than 60 points)**

#### **Financial Management Report**

Every school district is required to prepare a Financial Management Report, present the report at a public hearing, and distribute the report to the district's parents present at the meeting. The Financial Management Report must include the:

- Schools Financial Integrity Rating System of Texas (FIRST)
- Disclosures
  - Copy of the Superintendent's current Employment Contract
  - Summary schedule of all reimbursements received by the Superintendent and each Board Member for the 2016-2017 fiscal year. This summary should include all travel expenses by category, such as lodging, meals, registration, etc.
  - Summary schedule of the dollar amount of compensation and/or fees received by the Superintendent from another district or any other outside entity for professional consulting and/or personal services during the 2016-2017 fiscal year.
  - Summary schedule of the total dollar amount of gifts [with an economic value of \$250 or more in the aggregate] received by the Superintendent and each Board Member during the 2016-2017 fiscal year. This requirement also includes the immediate family of the Superintendent and each Board Member.
  - Summary schedule of the dollar amount by Board Member for the aggregate amount of business transactions with the school district.

# Review of Indicators

## Critical Indicators

Indicators #1, #2A, #3, #4 and #5 are critical indicators on the current rating system. A rating of F - Substandard Achievement is assigned if the district failed to achieve one or more of these critical indicators.

The solvency of a district is critical to its financial strength; hence unrestricted net assets that are greater than \$0 is perhaps the most critical indicator. Chart #1 below illustrates the total unrestricted net assets for the past five fiscal years. In addition, the district has maintained a healthy fund balance over the past fiscal years as illustrated by Chart 2. [Indicator #5]

Chart #1: Total Unrestricted Net Assets

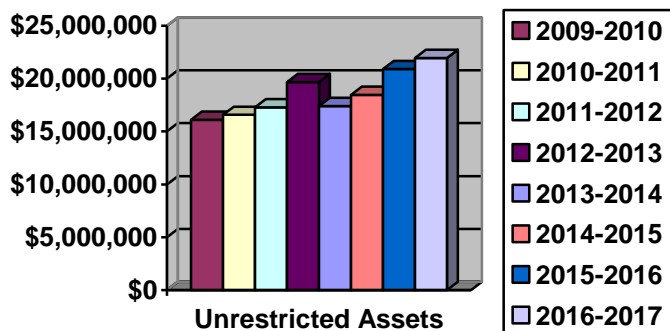
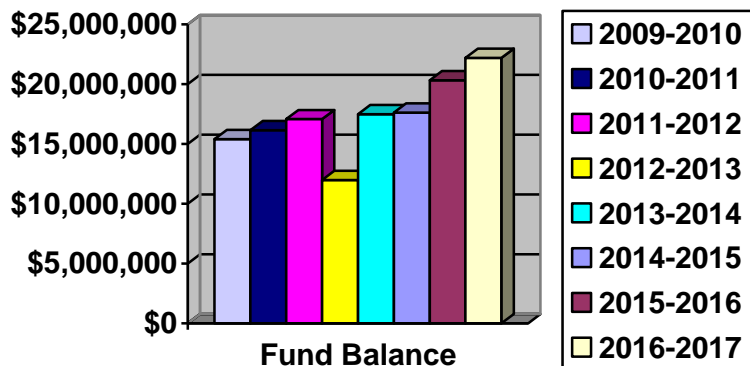


Chart #2: Fund Balance at End of Fiscal Year (General Fund Only)



A substantial fund balance is critical for Lackland ISD due to the usual delay in receiving Federal Impact Aid funds. Federal Impact Aid funds, which are received in lieu of property taxes, are a major source

of operating funds for the district. The fund balance consists of committed and assigned [Construction and Technology] funds balances.

The Annual Financial Report is a valuable indicator of sound financial management. The district met the requirements related to the Annual Financial Report such as receiving an unmodified opinion and filing the report by the Texas Education Agency’s deadline. [Indicators #1and #2A].

The District complied with payment deadlines such as Teacher Retirement System (TRS), Texas Workforce Commission (unemployment) and the Internal Revenue Service (IRS). [Indicator #4]

## **Other Indicators**

Indicator	Description	Value
#6	Number of days of cash and current investments in the general fund	542 days
#7	Measure of current assets to current liabilities	Assets are 19.74 times more than liabilities
#8	Ratio of long-term liabilities to total assets sufficient to support long term solvency.	Ratio is .07
#9	Did general fund revenues equal or exceed expenditures?	Revenues exceeded expenditures by \$1.9 million
#10	Debt Service coverage ratio to meet debt requirements	N/A, no debt
#11	District’s Administrative Cost ratio	9.76% (maximum allowable is 13.11%)
#12	Did the district not have a 15% decline in the student:staff ratio over 3 years?	No
#13	Did the comparison of PEIMS data to the AFR result in a variance of less than 3% of all expenditures by function?	\$14,421,292 total expenditures, net variance \$46.00
#14	Did the external auditor indicate the AFR was free of any material non-compliance for grants, contracts or laws?	None noted in AFR
#15	Did the district not receive an adjusted repayment schedule for more than 1 fiscal year for an over-allocation of FSP funds as a result of financial hardship?	No adjusted schedule

## **Summary**

Lackland ISD received a score of 100 out of a possible score of 100 in 2017-2018. The passing score is 60 points. Our rating for the 2017-2018 fiscal year is **A – Superior Achievement**. The District has achieved a Superior Achievement rating for the past 16 years!

The Schools FIRST rating is a district-wide financial report card. The Board of Trustees and staff have contributed to the financial success of the district by:

- Developing and adopting budgets that focus on student instruction and achievement
- Ensuring fiscal accountability through purchasing, staffing, cash management, and PEIMS data integrity



**LACKLAND**  
Independent School District

**Lackland Independent School District  
Financial Integrity Rating System of Texas  
Based on Data from Fiscal Year Ended August 31, 2017**

#	Criteria Description	2017-2018		2016-2017	
		Yes/No	Score	Yes/No	Score
1	within 30 days of the November 27 or January 28 deadline depending upon the district's fiscal year end date of June 30 or August 31, respectively?	Yes	N/A	Yes	N/A
2.A	Was there an unmodified opinion in the AFR on the financial statements as a whole?	Yes	N/A	Yes	N/A
2.B	Did the external independent auditor report that the AFR was free of any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes	N/A	Yes	N/A
3	Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?	Yes	N/A	Yes	N/A
4	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes	N/A	N/A	N/A
5	Was the total unrestricted net asset balance (net of accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero?	Yes	N/A	Yes	N/A
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)?	Yes	10	Yes	10
7	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	Yes	10	Yes	10
8	Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?	Yes	10	Yes	10
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?	Yes	10	Yes	10
10	Was the debt service coverage ratio sufficient to meet the required debt service?	Yes	10	Yes	10
11	Was the administrative cost ratio equal to or less than the threshold ratio?	Yes	10	Yes	10
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)?	Yes	10	Yes	10
13	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the AFR result in a total variance of less than 3 percent of all expenditures by function?	Yes	10	Yes	10
14	Did the external independent auditor report that the AFR was free of any instances of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes	10	Yes	10
15	Did the school district not receive an adjusted payment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes	10	Yes	10
	<b>TOTAL SCORE Total Possible = 100)</b>		<b>100</b>		<b>100</b>