

# Friendswood Independent School District

## 2015 Annual Financial Management Report Schools FIRST

For the Year Ending August 31, 2014



Trish Hanks, Superintendent

Thad Roher, Deputy Superintendent

Connie Morgenroth, Chief Financial Officer

**Friendswood Independent School District  
Schools FIRST Management Report  
For the Year Ending August 31, 2014**

**Table of Contents**

<b>Introduction</b>	<b>3</b>
<b>2014-2015 FIRST Rating</b>	<b>5</b>
<b>Overview of the Worksheet</b>	<b>7</b>
<b>Critical Indicators #1 - #4</b>	<b>7</b>
<b>All Other Indicators #5 - #7</b>	<b>8</b>
<b>Required Disclosures</b>	<b>10</b>

**Friendswood Independent School District  
2015 Annual Financial Management  
Report – School FIRST**

**Introduction**

During the 77th regular session of the Texas legislature (2001), Senate Bill 218 was passed and Governor Perry signed it into law shortly thereafter. This law requires each school district to prepare an annual financial management report within two months of the date of issuance of the final School FIRST ratings. The District received official notification of the 2014-2015 Final School FIRST rating on October 22, 2015. This rating is based upon analysis of school year data for the fiscal year ending August 31, 2014.

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 also discloses 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' decision-making processes.

The primary reporting tool is the Financial Accountability Ratings Worksheet. This worksheet was originally 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 the TEA and calculated on information submitted to the Agency via our PEIMS submission each year.

This year's report includes major changes made by the Commissioner's Rule in August 2015. The changes in the Commissioner's Rule were authorized by HB 5, Section 49, 83<sup>rd</sup> Texas Legislature, Regular Session, 2013. House Bill 5 amended Section 39.082 Texas Education Code to 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 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 and the worksheets for rating years 2015-2016 and 2016-2017 contain 15 indicators.

Also, the worksheet for rating year 2016-2017 requires higher scores for select ratings compared to the worksheet for rating year 2015-2016.

In accordance with Title 19 of the Texas Administrative Code, Chapter 109, the financial management report must include a description of the district's financial management performance based on a comparison, provided by TEA, of its performance on the indicators established by the commissioner of education. The report should contain information that discloses:

(A) state-established standards; and

(B) the district's financial management performance under each indicator for the current and previous year's financial accountability rating

In addition, it must also contain the following: (1) a copy of the Superintendent's current employment contract (this can be satisfied by placing the contract on the district website), (2) a summary schedule for the fiscal year of total reimbursements received by the superintendent and each board member, (3) a summary schedule for the fiscal year of the dollar amount compensation and/or fees received by the Superintendent from another school district or any outside entity in exchange for professional consulting and/or other personal services, (4) a summary schedule for the fiscal year of the total dollar amount by the executive officers and board members of gifts that had an economic value of \$250 or more, (5) 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.

Currently, the worksheet consists of 7 Indicators, each weighted equally with the exception of the Critical Indicators. A "No" response in Indicators #1, #2, #3 or #4 will automatically result in a rating of Substandard Achievement, so these first four Indicators are of utmost importance. Indicator #5 looks at the District's administrative cost ratio and Indicators #6 and #7 are the Financial Competence Indicators.

In summary, like last year, Friendswood ISD enjoys the highest rating available, now called "**Pass**", scoring a 28 out of a possible 30 on the financial accountability worksheet. This is the highest financial accountability rating that can be assigned by TEA. The worksheet itself follows, along with an explanation of each indicator, the indicator goal, and FISD's performance this year as compared to last year. Finally, as in accordance with Title 19, the required disclosures are included at the back of the report.

**Financial Integrity Rating System of Texas**

**2014-2015 RATINGS BASED ON SCHOOL YEAR 2013-2014 DATA - DISTRICT STATUS DETAIL**

<b>Name: FRIENDSWOOD ISD(084911)</b>	<b>Publication Level 1:</b> 8/20/2015 11:24:40 AM
<b>Status: Passed</b>	<b>Publication Level 2:</b> 8/20/2015 11:24:40 AM
<b>Rating: Pass</b>	<b>Last Updated:</b> 8/20/2015 11:24:40 AM
<b>District Score: 28</b>	<b>Passing Score:</b> 16

#	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>	4/6/2015 2:45:24 PM	Yes
2	<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>	4/6/2015 2:45:25 PM	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>	4/6/2015 2:45:25 PM	Yes

4	<u>Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets 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>	7/30/2015 12:18:48 PM	Yes
5	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	7/15/2015 11:52:23 AM	8
6	<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>	8/17/2015 5:48:26 PM	10
7	<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>	4/6/2015 2:45:26 PM	10
			<b>28</b> <b>Score</b>

## DETERMINATION OF RATING

<b>A.</b>	Did The District Answer 'No' To Indicators 1, 2, 3, Or 4? If So, The District's Rating Is <b>Substandard Achievement</b> .
<b>B.</b>	Determine Rating By Applicable Range For Summation of the Indicator Scores (Indicators 5-7)
<b>Pass</b>	16-30
<b>Substandard Achievement</b>	<16

## Overview of the Worksheet

### Critical Indicators

Indicators 1 through 4 are considered critical indicators. Any “No” response in one of these categories is a signal indicator of fiscal distress. These four indicators revolve around the audit report, timely debt payments and the auditor’s findings.

#### Indicator #1

**Indicator:** 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?

**Indicator Goal:** To ensure the district’s financial report is submitted in a timely manner.

**FISD Answer:** Yes. Like last year, the District met this requirement. The annual financial report was received by the Texas Education Agency before the required deadline of February 28, 2014.

#### Indicator #2

**Indicator:** Was there an unmodified opinion in the AFR on the financial statements as a whole?

**Indicator Goal:** To determine whether the annual financial report is free from material misstatement.

**FISD Answer:** Yes. Like last year, the District received an unqualified opinion in its annual financial report.

#### Indicator #3

**Indicator:** Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

**Indicator Goal:** To determine if the district made its outstanding bond payments on time and to ensure it is not in default.

**FISD Answer:** Yes. Like last year, FISD made all bond payments on time as required.

#### Indicator #4

**Indicator:** Was the total unrestricted net asset balance (net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero?

**Indicator Goal:** To determine if the district's total assets exceeded the total liabilities.

**FISD Answer:** Yes. Total unrestricted net asset balance equaled \$12,497,215 this year, and \$11,429,556 last year.

#### All Other Indicators

#### Indicator #5

**Indicator:** Was the school district's administrative cost ratio equal to or less than the threshold ratio?

**Indicator Goal:** To determine whether the district's administrative costs are in an acceptable range for its size. For FISD, less than 12.5% is the acceptable administrative cost ratio.

**FISD Answer:** 8 of 10 points. FISD's administrative cost ratio is 10.27% which is below 12.5%. The ratio must be  $\leq 10\%$  to get all 10 points. Last year, our ratio was 10.78%; however, the points given were 5 points. FISD achieved all 5 points last year.

#### Indicator #6

**Indicator:** Did the comparison of 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?

**Indicator Goal:** To determine whether the quality of data reported to TEA through PEIMS and in the annual financial report submission are consistent.

**FISD Answer:** 10 of 10 points. Like last year, FISD easily met this indicator.

## Indicator #7

**Indicator:** 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?

**Indicator Goal:** To determine whether the district has established and maintains effective internal control over its financial reporting.

**FISD Answer:** 10 of 10 points. Like last year, the annual financial report did not disclose any instances of material weaknesses in internal controls.

## REQUIRED DISCLOSURES

### Summary Schedule of Reimbursements as of August 31, 2014

Name	Meals	Lodging	Transportation	Fuel	Other	Total
Trish Hanks	\$494.23	\$5,010.99	\$2,838.15		\$512.39	\$8,855.76
Rebecca Hillenburg		\$674.61			\$962.00	\$1,636.61
Ralph Hobratschk	\$54.90	\$916.70	\$313.95	\$8.60	\$516.20	\$1,810.35
Tony Hopkins	\$148.78	\$1,900.09	\$922.10		\$1,003.00	\$3,973.97
Robert McCabe	\$100.00	\$430.62	\$985.25		\$1,020.00	\$2,535.87
David Montz	\$218.38	\$480.68	\$444.50		\$1,263.27	\$2,406.83
Matt Robinson	\$126.00	\$1,230.98	\$713.80		\$436.96	\$2,507.74
Mike Shaw		\$1,409.84			\$480.00	\$1,889.84
<b>TOTAL</b>	<b>\$1,142.29</b>	<b>\$12,054.51</b>	<b>\$6,217.75</b>	<b>\$8.60</b>	<b>\$6,193.82</b>	<b>\$25,616.97</b>

*Other includes: parking, taxi, registration fees and hotel internet services.*

### Business Transactions Between School Districts and Board Members for FY 2014

There were no business transactions between the District and any board member for FY 2014.

### Superintendent Outside Compensation

The Superintendent, Trish Hanks, did not receive any outside compensation or fees for Professional Consulting or other personal services for the twelve month period ended August 31, 2014.

### Superintendent's Contract

The Superintendent's current contract is posted on the District's website at [www.fisd12.net](http://www.fisd12.net).

### Executive Officer and Board of Trustees Gifts

The Superintendent and Board Members did not receive any gifts that had an economic value of \$250 or more in aggregate for the twelve month period ended August 31, 2014 from an outside entity that received payments from F1SD in the prior fiscal year or from competing vendors that were not awarded contracts in the prior fiscal year.