

# **SABINE INDEPENDENT SCHOOL DISTRICT**

## **Financial Management Report Relating to The Financial Integrity Rating System of Texas 2018 Rating: "A=Superior"**

The Sabine ISD received a rating of "A=Superior" under Texas' Schools FIRST financial accountability rating system for the fiscal year ended June 30, 2017, the most current audited financial data available to TEA. The A=Superior rating is the state's highest rating.

The Schools FIRST (Financial Integrity Rating System of Texas) is a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76<sup>th</sup> Texas Legislature in 1999. 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.

The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being "A=Superior". The rating system consists of sixteen indicators. Six of the indicators have Yes or No answers and the remaining ten are scored on a range of points from 0-10. The Yes or No responses on five of the indicators can "fail" a district, but do not contribute to the point total. The maximum score possible is 100. A score of 70 - 100 will result in an A=Superior Rating. Sabine ISD scored 100 out of the 100 possible points available.

The 2016-2017 FIRST District Status Detail report (see attached) contains each indicator and the result for the district.

Rules established by Title 19, TAC, Section 109.1005 require this report include a copy of the Superintendent's current contract (or the contract is posted on the District's website) and summary financial disclosures pertaining to the superintendent and school board members. This information is being reported in the format recommended by the Texas Education Agency.

Sabine ISD has received the A=Superior rating for fourteen of the fifteen years which is due to successful efforts of the Board of Trustees, administration, faculty, and staff. These groups have successfully utilized resources available to the district to provide a quality education to the students of Sabine ISD. Sabine ISD is committed to continuing the efficient and effective use of all resources to maintain the A=Superior (or its equivalent) rating in the future.

### **1. Were the Annual Financial Report (Audit) and Data Filed on Time – YES**

Every school district must submit their annual audit report to TEA on or before 180 days from the close of the fiscal year. For purposes of this indicator, each District has an additional 30-day grace period. Sabine ISD has a fiscal year end of June 30, so the audit was due no later than December 28, 2017. TEA received our current year audit on November 16, 2017 and our prior year audit on November 21, 2016.

### **2.A Was the Annual Financial Report an Unmodified Opinion – YES**

In accounting terminology, an "Unmodified Opinion" means a "clean" audit. A "modification" on your financial report indicates that the District's reporting and/or financial controls need some type of correction. Sabine ISD received an "Unmodified Opinion" on its Annual Financial Report for the year ended June 30, 2017, but we received a "Modified Opinion" the prior year ended June 30, 2016.

**2.B NO Disclosures of Instances of Material Weaknesses in Internal Control – Yes**

A "clean" audit cannot be granted if the auditors determine that material weaknesses exist in internal controls. A weakness in internal controls means a situation exists (perhaps in staffing patterns or financial procedures) that creates the risk that the District will not be able to properly account for its use of public funds. The audit for Sabine ISD disclosed no such weaknesses either in the current or prior year.

**3. Was the School District in Compliance with the Payment Terms of all Debt Agreements at Fiscal Year End - Yes**

The District only had one outstanding bond issue at June 30, 2017 and no other debt obligations. We had made all debt payments in accordance with the bond payment schedule and had met all other requirements as of June 30, 2016.

**4. Did the School District Make Timely Payments to the TRS, TWC, IRS, and Other Government Agencies - Yes**

The District made all required payments to the TRS and IRS in a timely manner for the years ended June 30, 2017 and 2016. We use a third party administrator for the payments to the TWC.

**5. Total Unrestricted Net Asset Balance Greater Than Zero - YES**

Sabine ISD had a total unrestricted net asset balance of \$3,863,267 as of June 30, 2017, an increase of \$235,967 from the balance of \$3,627,300 as of June 30, 2016.

A district will receive a "substandard achievement" rating if the answer to indicators 1, 2.A, 3, 4 or 5 is NO, regardless of how many total points are scored. TEA regards these five questions as "default" indicators.

**6. Was the Number of Days of Cash on Hand and Current Investments in the General Fund Sufficient to Cover Operating Expenditures – Yes - 10**

TEA set the grading levels for this indicator. To receive all 10 points, the District must have 90 or more days of cash on hand. For June 30, 2017, the District had 114.18 days on hand and for June 30, 2016, the District had 122.65 days on hand, both well over the minimum level needed.

**7. Was the Measure of Current Assets to Current Liabilities Ratio Sufficient to Cover Short-Term Debt – Yes - 10**

TEA set the grading levels for this indicator. To receive all 10 points, the District must have a current ratio of 3 or greater. For June 30, 2017, the District had a ratio of 4.32 and for June 30, 2016, the District had a ratio of 4.45, both well over the minimum level needed.

**8. Was the Ratio of Long-Term Liabilities to Total Assets Sufficient to Support Long-Term Solvency – Yes - 10**

TEA set the grading levels for this indicator. To receive all 10 points, the District must have a ratio less than or equal to 0.6 or an increase in students of 10% or more over the past five year period. For June 30, 2017, the District had a ratio of 0.574 and for June 30, 2016, the District had a ratio of 0.502, both under the maximum level.



**9. Did the District's General Fund Revenues Exceed Expenditures (Excluding Facilities Acquisition and Construction) – Yes – 10**

TEA set the grading levels for this indicator. To receive all 10 points, the District must have General Fund Revenues in excess of General Fund expenditure (excluding facilities acquisition and construction). For the year ended June 30, 2017, the revenues were less than expenditures by \$144,985, but our days cash on hand was 114.18, above the 60 day minimum. For the year ended June 30, 2016, the revenues exceeded expenditures by \$464,060.

**10. Was the Debt Service Coverage Ratio Sufficient to Meet Required Debt Service – Yes - 10**

This indicator relates to debt service funded by the General Fund. For June 30, 2017, the District's ratio was 1.45, which is above the minimum ratio. For June 30, 2016, the District had no General Fund debt service expenditures, thus, the ratio was not applicable.

**11. Was the Administrative Cost Ratio Less than the State Standard – Yes -10**

TEA and state law set caps on a District's Administrative Cost Ratio based on the size of the District. For Sabine ISD, the cap is 11.51% to receive all 10 points. The Administrative Cost Ratio for Sabine ISD was 10.13% for the current year compared to 9.55% for the prior year, both rates well below the cap.

**12. Did the Student to Staff Ratio Decline less than 15% over 3 Years – Yes - 10**

This indicator is either 10 points or none and relates to the ratio of total students to staff FTE's for each year. The indicator allows a district to pass if student enrollment has increased over the past three years. The District's enrollment has grown in each of the last several years, so the District passed the indicator.

**13. Was PEIMS Data Within a 3% Variance of the Annual Financial Report – Yes- 10**

Sabine ISD scored a "YES" on this question with a variance of 0.00% in 2016-17 and 0.03% in 2015-16.

**14. NO Disclosures of Instances of Material Non-Compliance for Grants, Contracts, & Laws – Yes - 10**

A "clean" audit cannot be granted if the auditors determine that material noncompliance with grants, contracts, or laws exist. The audit for Sabine ISD disclosed no such weaknesses either in the current or prior year.

**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 – Yes – 10**

Sabine ISD has not had an adjusted repayment schedule as a result of an over allocation of Foundation School Program funds for any year since at least 2012. Thus, there would not be a repayment schedule exceeding one fiscal year.

# SABINE INDEPENDENT SCHOOL DISTRICT

## School FIRST Annual Financial Management Report

Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA,  
Commissioner's Rules Concerning Financial Accountability Rating System, Section 109.1001(o). Effective 8/6/2015.

### Superintendent's Current Employment Contract

A copy of the superintendent's current employment contract was included in the report presented at the hearing, thus fulfilling the requirements..

### Reimbursements Received by the Superintendent and Board Members

#### For the Twelve-Month Period Ended June 30, 2017

| Description of Reimbursements | Superintendent -<br>Stacey Bryce | Tony<br>Raymond | Andrea<br>Bates | Paul<br>Franklin | Patty<br>Pickle | Rusty<br>Taylor | Martha<br>Wright | John<br>Kenna | Dr. Art<br>Morchat | Danny<br>King |
|-------------------------------|----------------------------------|-----------------|-----------------|------------------|-----------------|-----------------|------------------|---------------|--------------------|---------------|
| Meals                         | \$ 199.00                        | \$ 87.00        | \$ -            | \$ -             | \$ -            | \$ 87.00        | \$ -             | \$ 87.00      | \$ -               | \$ -          |
| Lodging                       | 369.51                           | 441.78          |                 |                  |                 | 662.67          |                  | 662.67        |                    |               |
| Transportation                | 713.00                           | 251.61          |                 |                  |                 | 283.00          |                  | 283.00        |                    |               |
| Motor Fuel                    | 48.40                            |                 |                 |                  |                 |                 |                  |               |                    |               |
| Other                         | 425.00                           | 395.00          | 160.00          | 160.00           |                 | 395.00          |                  | 395.00        |                    |               |
| Total                         | \$ 1,754.91                      | \$ 1,175.39     | \$ 160.00       | \$ 160.00        | \$ -            | \$ 1,427.67     | \$ -             | \$ 1,427.67   | \$ -               | \$ -          |

All "reimbursements" expenses, regardless of the manner of payment, including direct pay,

credit card, cash, and purchase order are to be reported. Items to be reported per category include:

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.

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

#### For the Twelve-Month Period Ended June 30, 2017

|                        |                 |
|------------------------|-----------------|
| Name(s) of Entity(ies) | Amount Received |
| None                   | \$              |
| Total                  | <u>\$0.00</u>   |

Compensation does not include business revenues generated from a family business (farming, ranching, etc.) that has no relation to school district business.

### Gifts Received by Executive Officers and Board Members (and First Degree Relatives, if any) (gifts that had an economic value of \$250 or more in the aggregate in the fiscal year)

#### For the Twelve-Month Period Ended June 30, 2017

|                  |         |        |          |        |        |        |       |         |       |
|------------------|---------|--------|----------|--------|--------|--------|-------|---------|-------|
| Superintendent - | Tony    | Andrea | Paul     | Patty  | Rusty  | Martha | John  | Dr. Art | Danny |
| Stacey Bryce     | Raymond | Bates  | Franklin | Pickle | Taylor | Wright | Kenna | Morchat | King  |
| \$               | \$      | \$     | \$       | \$     | \$     | \$     | \$    | \$      | \$    |
| Total            |         |        |          |        |        |        |       |         |       |

**Note** – 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.

### Business Transactions Between School District and Board Members

#### For the Twelve-Month Period Ended June 30, 2017

|         |        |          |        |        |        |       |         |       |
|---------|--------|----------|--------|--------|--------|-------|---------|-------|
| Tony    | Andrea | Paul     | Patty  | Rusty  | Martha | John  | Dr. Art | Danny |
| Raymond | Bates  | Franklin | Pickle | Taylor | Wright | Kenna | Morchat | King  |
| \$      | \$     | \$       | \$     | \$     | \$     | \$    | \$      | \$    |
| Amounts |        |          |        |        |        |       |         |       |

**Note** - The summary amounts reported under this disclosure are not to duplicate the items disclosed in the summary schedule of reimbursements received by board members.



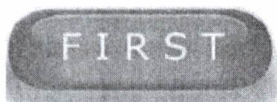
RATING YEAR 2017-2018

DISTRICT NUMBER district #

Select An Option

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Financial Integrity Rating System of Texas

## 2017-2018 RATINGS BASED ON SCHOOL YEAR 2016-2017 DATA - DISTRICT STATUS DETAIL

|                          |   |
|--------------------------|---|
| Name: SABINE ISD(092906) | Publication Level 1: 8/6/2018 2:48:24 PM  |
| Status: Passed           | Publication Level 2: 8/8/2018 12:11:29 PM |
| Rating: A = Superior     | Last Updated: 8/8/2018 12:11:29 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>   | 4/20/2018<br>8:45:30<br>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>  | 4/20/2018<br>8:45:30<br>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>  | 4/20/2018<br>8:45:30<br>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> | 4/20/2018<br>8:45:31<br>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>   | 4/20/2018<br>8:45:31<br>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 7 percent or more, then the school district passes this indicator.)</u>  | 4/20/2018<br>8:45:31<br>AM | Yes                    |
|     |   |                            | 1<br>Multiplier<br>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>   | 4/20/2018<br>8:45:31<br>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>  | 4/20/2018<br>8:45:31<br>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 7 percent or more, then the school district passes this indicator.) (See ranges below.)</u>   | 4/20/2018<br>8:45:32<br>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>   | 4/20/2018<br>8:45:32<br>AM | 10                     |
| 10  | <u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>  | 4/20/2018<br>8:45:32<br>AM | 10                     |
| 11  | <u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>   | 4/20/2018<br>8:45:33       | 10                     |

|    |  |                       |                  |
|----|--|-----------------------|------------------|
|    |  | AM                    |                  |
| 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.) | 6/19/2018 11:11:58 AM | 10               |
| 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?                          | 4/20/2018 8:45:33 AM  | 10               |
| 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.)             | 4/20/2018 8:45:33 AM  | 10               |
| 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?  | 4/20/2018 8:45:33 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 <b>F for Substandard Achievement</b> 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    |
| 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. |   |        |

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FIRST 5.4.1.0