

**White Settlement Independent School  
District  
White Settlement, Texas**

**2016-2017  
FIRST**

**Annual Financial Management Report Based  
on School Year 2015-2016 Data**



**Mr. Frank Molinar, Superintendent of Schools  
Mr. David Bitters Assistant Superintendent of Finance and Operations**

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SCHOOLS FIRST REPORT FOR 2016-2017**

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## **NEWS RELEASE**

### **White Settlement ISD Earns State's Highest Fiscal Accountability Rating**

October 17, 2017

White Settlement Independent School District officials announced that the district received a rating of “A” for “Superior Achievement” under Texas’ School FIRST financial accountability rating system. The “Superior Achievement” rating is the state’s highest, demonstrating the quality of White Settlement ISD’s financial management and reporting system.

This is the 15th year of Schools FIRST (Financial Accountability Rating System of Texas), a financial accountability system of 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 and amendments under House Bill 5, 83<sup>rd</sup> Texas Legislature, Regular Session, 2013. The primary goal of Schools FIRST is to achieve quality performance in the management of school district’s financial resources, a goal made more significant due to the complexity of accounting associated with Texas’ school finance system

“We are very pleased with White Settlement ISD’s Schools FIRST rating,” said White Settlement ISD Superintendent Frank Molinar. This rating shows that White Settlement’s schools are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently.”

The Texas Education Agency assigned one of four financial accountability ratings to Texas school districts, with the highest being “A” for “Superior Achievement” followed by “B” for “Above-Standard Achievement”, “C” for “Standard Achievement” and “F” for “Substandard Achievement” White Settlement ISD has achieved the highest rating for fifteen (15) prior years.

For further information,  
Contact Janette Owens  
817-367-5310



	<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 12:26:10 PM	
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 12:26:10 PM	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 12:26:11 PM	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 12:26:11 PM	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 12:26:11 PM	0
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 12:26:11 PM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	5/18/2017 12:37:39 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 12:26:12 PM	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 8:31:42 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 12:26:13 PM	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 12:26:13 PM	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 12:26:13 PM	10



		90 Weighted Sum
		1 Multiplier Sum
		90 Score

**DETERMINATION OF RATING**

<b>A.</b>	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>B.</b>	Determine the rating by the applicable number of points. (Indicators 6-15)	
	<b>A = Superior</b>	90-100
	<b>B = Above Standard</b>	80-89
	<b>C = Meets Standard</b>	60-79
	<b>F = Substandard Achievement</b>	<60
<p><b>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.</b></p>		

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THE **TEXAS EDUCATION AGENCY**  
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FIRST 4.4.6.0

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# Disclosures

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Reporting requirements for the financial management report for Schools FIRST public hearing are found in **Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System**. This rule describes requirements for the five (5) disclosures explained below that are to be presented as appendices in the Schools FIRST financial management report.

## **1. Superintendent's Employment Contract**

The school district is to provide a copy of the superintendent's employment contract that is effective on the date of the Schools FIRST hearing in calendar year 2017. In lieu of publication in the Schools 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.

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**  
**SUPERINTENDENT'S EMPLOYMENT CONTRACT**  
2017-2023  
**FRANK MOLINAR**

This Contract is by and between the Board of Trustees (the "Board") of the White Settlement Independent School District (the "District") and FRANK MOLINAR (the "Superintendent")(this "Contract").

**WITNESSETH:**

For and in consideration of the terms hereinafter established and pursuant to Section 11.201(b) and Chapter 21 of the Texas Education Code (the "Code"), the Board and the Superintendent agree as follows:

**I. TERM**

- 1.1 **Employment.** The Board, by and on behalf of the District, does hereby extend the employment contract of the Superintendent, and the Superintendent does hereby accept employment as Superintendent of schools for the District. This Contract was approved by the Board of Trustees at its regular monthly meeting on January 17, 2017. This Contract shall become effective immediately and shall be for a term of five (5) years. The District may, by action of the Board, and with the consent and approval of the Superintendent, extend the term of this Contract as permitted by law.
- 1.2 **No Right of Tenure.** The Board has not adopted any policy, rule, regulation, law, or practice providing for tenure. No right of tenure, contractual obligation, expectancy of continued employment, or claim of entitlement is created beyond the contract term.

**II. EMPLOYMENT**

- 2.1 **Duties.** The Superintendent is the chief executive administrator of the District and shall faithfully perform the duties of the Superintendent of Schools for the District as prescribed in the job description contained in the Board Policies and as may be lawfully assigned by the Board, and shall comply with all lawful Board directives, state and federal law, district policy, rules, and regulations as they exist or may hereafter be adopted or amended. Specifically, it shall be the duty of the Superintendent to recommend for employment all professional employees of the District subject to the Board's approval. It shall be the further duty of the Superintendent to employ all other personnel consistent with Board policies. It shall be the further duty of the Superintendent to direct, assign, reassign, and evaluate all of the employees of the District consistent with Board policies and federal and state law. It shall be the further duty of the Superintendent to organize,



reorganize, and arrange the staff of the District, and to develop and establish administrative regulations, rules, and procedures which the Superintendent deems necessary for the efficient and effective operation of the District consistent with the Board's policies, except the Superintendent's resignation, which must be accepted by the Board. The Superintendent shall perform the duties of the Superintendent of schools for the district with reasonable care, skill and expertise and in a thorough, prompt and efficient manner. All duties assigned to the Superintendent by the Board shall be appropriate to and consistent with the professional role and responsibility of the Superintendent.

- 2.2 Professional Certification and Records. The Superintendent shall at all times during the term of this Contract, and any renewal or extension thereof, hold and maintain a valid certificate required of a Superintendent by the State of Texas and issued by the Texas Education Agency and all other certificates required by law. Failure to provide necessary certification shall render this Contract void. Any material and intentional misrepresentation by the Superintendent may be grounds for dismissal.
- 2.3 Reassignment. The Superintendent cannot be reassigned from the position of Superintendent to another position without his express written consent.
- 2.4 Consultant Activities. The Superintendent may, with Board approval, undertake consulting work, speaking engagements, lecturing, training and other professional duties.
- 2.5 Criticisms, Complaints, and Suggestions. The Board, individually and collectively, shall refer all substantive criticisms, complaints, and suggestions called to the Board's attention either: (a) to the Superintendent for study and /or appropriate action, and the Superintendent shall refer such matter(s) to the appropriate District employee, or shall investigate such matter(s) and shall within a reasonable time inform the Board of the results of such efforts; or, (b) to the appropriate complaint resolution procedure as established by Board policies.
- 2.6 Professional Growth. The Board encourages the Superintendent to attend, actively participate in and/or join professional and civic organizations at the local and state levels. In its encouragement of the Superintendent to grow professionally, the Board shall permit a reasonable amount of release time for the Superintendent as the Superintendent and the Board deem appropriate, to attend such seminars, courses or meetings. The District shall pay reasonable expenses for such attendance, registration, travel, meals, lodging, and other related expenses, including any membership fees and dues of the Superintendent for Texas Association of School Administrators (TASA), Texas Association of Suburban and Mid-urban School Districts (TASMUS), and two local civic organizations of the Superintendent's choice during the term of this Contract.
- 2.7 Board/Superintendent Relations. The members of the Board, individually and collectively, shall promptly refer all criticisms, complaints and suggestions called to their attention to the Superintendent for study and recommendation. The

Superintendent shall investigate and respond to the Board concerning all such matters referred to him in a reasonable and timely manner.

### III. COMPENSATION

- 3.1 Salary. The District shall provide the Superintendent with an annual salary of Two Hundred Two Thousand Five Hundred Sixty-six Dollars (\$202,566.00). This annual salary shall be paid to the Superintendent in equal installments consistent with the Board's policies, effective immediately.
- 3.2 Salary Adjustments. At any time during the term of this Contract, the Board may, in its discretion, review and adjust the salary of the Superintendent, but in no event shall the Superintendent be paid less than the salary and benefits set forth in this Contract.
- 3.3 Expenses. The District shall pay or reimburse the Superintendent for reasonable expenses incurred by the Superintendent in the continuing performance of his duties under this Contract. The District agrees to pay the actual and incidental costs incurred by the Superintendent for travel; such costs may include, but are not limited to, gasoline, hotels and accommodations, meals, rental car, and other expenses incurred in the performance of his duties as Superintendent of the District. The Superintendent shall comply with all procedures and documentation requirements in accordance with Board policies except when traveling with the Board, at which time the Board's travel guidelines will apply. The District shall reimburse the Superintendent in accordance with District policy for out of District travel incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract.
- 3.4 Insurance. The Superintendent, if eligible and insurable, shall be provided the same health insurance coverage that is provided to all other certified employees in the District
- 3.5 Vacation. The Superintendent may take, at his choice, the greater of ten (10) days of vacation annually or the same number of days of vacation authorized by Board Policy for administrative employees on twelve-month contracts, the days to be taken in a single period or at different times. The vacation days taken by the Superintendent will be taken at such time or times as will least interfere with the performance of the Superintendent's duties as set forth in this Contract. Accrued but unused vacation days, up to a maximum of five (5) days annually, shall accumulate and carry forward from year to year during the term of this Contract. The Superintendent may observe the same legal holidays and is hereby granted the same personal leave benefits as authorized by Board policies for administrative employees on twelve-month contracts, and shall be entitled to vacations in accordance with Policy DED (Local), to be used within the Superintendent's discretion as long as such use does not interfere with the carrying out of his duties and obligations as Superintendent of the District, and such local leave shall be cumulative from year to year in accordance with local Board policy.

- 3.6 Residency Requirement. As a condition of this Contract the Superintendent has established and will maintain his permanent residency within the District.

#### IV. REVIEW OF PERFORMANCE

- 4.1 Development of Goals. The Superintendent shall submit to the Board a preliminary list of goals for the District each year for the Board's consideration and adoption. The Superintendent and the Board shall then meet and the Board shall approve or revise the list of goals. The Superintendent shall submit to the Board for its approval a plan to implement the goals. The Superintendent and the Board shall meet biannually to assess the goals and may adjust or revise the goals either by action of the Board or upon recommendation of the Superintendent and approval of the Board. The goals approved by the Board shall at all times be in writing ("District Goals") and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated. The Board agrees to work with and support the Superintendent in achieving the District Goals.
- 4.2 Time and Basis of Evaluation. The Board shall evaluate and assess in writing the performance of the Superintendent at least once each year during the term of this Contract. The Board's evaluation and assessment of the Superintendent shall be reasonably related to the duties of the Superintendent as outlined in the Superintendent's job description and shall be based on the District's progress toward accomplishing the District Goals.
- 4.3 Confidentiality. The evaluation of the Superintendent shall at all times be conducted in executive session and shall be considered confidential to the extent permitted by law. Nothing herein shall prohibit the Board or the Superintendent from sharing the content of the Superintendent's evaluation with their respective legal counsel.
- 4.4 Evaluation Format and Procedure. The evaluation format and procedure shall be in accordance with the Board's policies and state and federal law. In the event that the Board determines that the performance of the Superintendent is unsatisfactory in any respect, it shall describe in writing, in reasonable detail, specific instances of unsatisfactory performance. The evaluation shall include recommendations as to areas of improvement in all instances where the Board deems performance to be unsatisfactory. A copy of the written evaluation shall be delivered to the Superintendent. The Superintendent shall have the right to make a written response to the evaluation. That response shall become a permanent attachment to the evaluation in the Superintendent's personnel file. In the event the Board deems that the evaluation instrument, format, and/or procedure is to be modified by the Board and such modifications would require new or different performance expectations, the Superintendent shall be provided a reasonable period of time to demonstrate such expected performance before being evaluated.

#### V. RENEWAL OR NONRENEWAL OF EMPLOYMENT CONTRACT

- 5.1 Renewal/Nonrenewal. Renewal or nonrenewal shall be in accordance with Board policy and applicable law.

## VI. TERMINATION OF EMPLOYMENT CONTRACT

- 6.1 Mutual Agreement. This Contract may be terminated by the agreement of the Superintendent and the Board, upon such terms and conditions as may be mutually agreed upon.
- 6.2 Retirement or Death. This Contract shall be terminated upon the retirement or death of the Superintendent.
- 6.3 Dismissal for Good Cause. Pursuant to Section 21.212(d) of the Texas Education Code, the Board may dismiss the Superintendent at any time for good cause. Good cause is defined as:
- (a) Failure to fulfill duties or responsibilities as set forth under the terms and condition of this Contract;
  - (b) Incompetence or inefficiency in the performance of required or assigned duties as documented by evaluations, supplemental memoranda, or other written communication from the Board; provided, however, the terms and conditions of this paragraph shall not justify good cause unless the Board has provided the Superintendent a reasonable opportunity to remediate any incompetency or inefficiency;
  - (c) Insubordination or failure to comply with lawful written Board directives;
  - (d) Failure to comply with the Board's policies or the District's administrative regulations;
  - (e) neglect of duties;
  - (f) Drunkenness or excessive use of alcoholic beverages;
  - (g) Illegal use of drugs, hallucinogens, or other substances regulated by the Texas Controlled Substances Act;
  - (h) Conviction of a felony of crime involving moral turpitude;
  - (i) Failure to meet the District's standards of professional conduct;
  - (j) Failure to comply with reasonable District professional development requirements regarding advanced course work or professional development;
  - (k) Disability, not otherwise protected by law, that impairs performance of the required duties of the Superintendent;
  - (l) Immorality, which is conduct the Board determines is not in conformity with the accepted moral standards of the community encompassed by the District. Immorality is not confined to sexual matters, but includes conduct inconsistent with the rectitude or indicative of corruption, indecency, or depravity;
  - (m) Assault on an employee or student;
  - (n) Knowingly falsifying records or documents related to the District's activities;
  - (o) Conscious misrepresentation of facts to the Board or other District officials in the conduct of the District's business;
  - (p) Failure to fulfill requirements for superintendent certification; or
  - (q) Any other reason constituting "good cause" under Texas law.

- 6.4 Termination Procedure. In the event that the Board terminates this Contract during the term for good cause, the Superintendent shall be afforded all the rights set forth in the Board's policies and state and federal law.

## VII. PROFESSIONAL LIABILITY

- 7.1 Indemnification. The District shall defend, hold harmless and indemnify the Superintendent regarding any claims, demands, duties, actions or other legal proceedings against the Superintendent for any act or failure to act involving the exercise of judgment and discretion within the normal course and scope of the Superintendent's duties as Superintendent of the District, to the extent and to the limit permitted by law. This paragraph does not apply if the Superintendent is found to have acted with gross negligence or with intent to violate a person's clearly established legal rights, or to have engaged in criminal conduct. The District may, at its sole discretion, fulfill its obligation under this paragraph by purchasing appropriate insurance coverage for the benefit of the Superintendent. No individual member of the Board shall be personally liable for indemnifying or defending the Superintendent under this paragraph. The District's obligation to indemnify, defend and hold the Superintendent harmless under this paragraph survives the termination of this Contract, so that any claim, suit, etc., filed after termination of this Contract but applicable to a time the Superintendent was employed by the District, will be covered by this section.
- 7.2 Legal Expenses. The Board shall not be required to pay any costs of any legal proceedings in the event the Board and the Superintendent are named as adverse parties to each other in any such proceedings.
- 7.3 Cooperation of Superintendent. The Superintendent shall fully cooperate with the District in the defense of any and all demands, claims, suits, actions and legal proceedings brought against the District insofar such demands, claims, suits, actions and legal proceedings arose or does arise in the future from an act or omission that occurred while the Superintendent was an employee of the District. The Superintendent's obligation under this paragraph shall continue after the termination of this Contract.

## VIII. MISCELLANEOUS

- 8.1 Controlling Law. This Contract shall be governed by the laws of the State of Texas and performable in Tarrant County, Texas.
- 8.2 Complete Agreement. This Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement or as expressly provided herein.
- 8.3 Conflicts. In the event of any conflict between the terms, conditions, and provisions of this Contract and the provisions of the Board's policies, or any permissive state or federal law, then, unless otherwise prohibited by law, the terms



of this Contract shall take precedence over the contrary provisions of the Board's policies or any such permissive law during the term of the Contract.

- 8.4 Savings Clause. In the event any one or more of the provisions contained in this Contract shall for any reason, be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision thereof, and this Contract shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. All existing agreements and contracts, both verbal and written, between the parties hereto regarding the employment of the Superintendent have been superseded by this Contract, and this Contract constitutes the entire agreement between the parties unless amended pursuant to the terms of this Contract.

EXECUTED to be effective on January 17, 2017.

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

By:   
Secretary, Board of Trustees

By:   
President, Board of Trustees

**SUPERINTENDENT**

  
Frank Molinar





# Disclosures

## 2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2016

For the Twelve-month Period Ended June 30 or August 31, 2016	Superintendent Frank Molinar	Randy Armstrong	Melissa Brown	John Bradley	Ben Davis	Glenn Lowry	Raymond Patterson	Amanda Sanchez
Meals	\$ 966	\$ 792	\$ 668	\$ 586	\$ 18	\$ 668	\$ 668	\$ 668
Lodging	3,130	1,960	2,374	1,951	0	2,522	1,960	2,305
Transportation	578	358	358	358	0	356	358	745
Motor Fuel	121	77	77	77	0	77	77	77
Other	7,664	1,093	1,093	1,093	104	1,093	1,093	1,093
Total	\$ 12,459	\$ 4,280	\$ 4,570	\$ 4,065	\$ 122	\$ 4,716	\$ 4,156	\$ 4,888

**Note** – The spirit of the rule is to capture all “reimbursements” for fiscal year 2016, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

**Meals** – Meals consumed off of the school district’s premises, and in-district meals at area restaurants (excludes catered meals for board meetings).

**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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# Disclosures

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

For the Twelve-Month Period Ended June 30 or August 31, 2016	
Name(s) of Entity(ies)	
None	\$ none
Total	\$

**Note** – Compensation does not include business revenues from the superintendent’s livestock or agricultural-based activities on a ranch or farm. Report gross amount received (do not deduct business expenses from gross revenues). Revenues generated from a family business that have no relationship to school district business are not to be disclosed.



# Disclosures

## 4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2016

For the Twelve-Month Period Ended June 30 or August 31, 2016										
	Superintendent Frank Molinar	Board Member 1 Randy Armstrong	Board Member 2 Melissa Brown	Board Member 3 John Bradley	Board Member 4 Ben Davis	Board Member 5 Glenn Lowry	Board Member 6 Raymond Patterson	Board Member 7 Amanda Sanchez		
Summary Amounts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

**Note** – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification. (Any gifts received by their immediate family as described in Government Code, Chapter 573, Subchapter B, Relationships by Consanguinity or by Affinity will be reported under the applicable school official.)

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# Disclosures

## 5. Business Transactions Between School District and Board Members for Fiscal Year 2016

For the Twelve-Month Period Ended June 30 or August 31, 2016	Board Member 1 Randy Armstrong	Board Member 2 Melissa Brown	Board Member 3 John Bradley	Board Member 4 Ben Davis	Board Member 5 Glenn Lowry	Board Member 6 Raymond Patterson	Board Member 7 Amanda Sanchez
Summary Amounts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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



# Disclosures

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## Item 6 Other Information.

6. Any other information the board of trustees of the school district or open-enrollment charter school determines to be useful.



## How Ratings are Assessed

### Rating Worksheet

Preliminary ratings are released by Texas Education Agency every calendar year during the summer. The Commissioner's Rules for School FIRST are contained in Title 19, Texas Administrative Code, Chapter 109, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System.

The School FIRST Communications Kit was updated in August 2017 to include changes in the Commissioner's Rule for School FIRST that were finalized in May 2017. The last time major changes were implemented in the Commissioner's Rule was in August 2015 in accordance with HB 5, Section 49, 83rd 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 questions a school district must address in completing the worksheet used to assess its financial management system can be confusing to non-accountants. The following is a layman's explanation of what the questions mean—and what your district's answers can mean to its rating.

**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?**

A simple indicator. Was your Annual Financial Report filed by the deadline?

**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. 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.)?**

A "modified" version of the auditor's opinion in your annual audit report means that you need to correct some of your reporting or financial controls. A district's goal, therefore, is to receive an "unmodified opinion" on its Annual Financial Report. 2.A. is a simple "Yes" or "No" indicator (see instructions under "2." for evaluating performance under "2.A" and "2.B." to arrive at the score for "2.").

**2.B. Did the external independent**





## ***How Ratings are Assessed***

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**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.)**

A clean audit of your Annual Financial Report would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed. 2.B. is a simple "Yes" or "No" indicator (see instructions under "2." for evaluating performance under "2.A" and "2.B" to arrive at the score for "2.").

**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.)**

This indicator seeks to make certain that your district has timely paid all bills/obligations, including financing arrangements to pay for school construction, school buses, photocopiers, etc.

**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?**

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.

**5. 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.)**

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



## How Ratings are Assessed

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may exceed the total amount of assets under certain scenarios.

**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)?**

This indicator measures how long in days after the end of the fiscal the school district could have disbursed funds for its operating expenditures without receiving any new revenues. Did you meet or exceed the target amount in School FIRST?

**7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?**

This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. Did you meet or exceed the target amount in School FIRST?

**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.)**

This question is like asking someone if their mortgage exceeds the market value of their home. Were you below the cap for this ratio in School FIRST? Fortunately this indicator recognizes that high-growth districts incur additional operating costs to open new instructional campuses.

**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?**

This indicator simply asks, "Did you spend more than you earned?" (the school district will automatically pass this indicator, if the school district had at least 60 days cash on hand.)

**10. Was the debt service coverage ratio sufficient to meet the required debt service?**

This indicator asks about the school district's ability to make debt principal and interest payments that will become due during the year. Did you meet or exceed the target amount in School FIRST?

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

This indicator measures the percentage of their budget that Texas school districts spent on administration. Did you exceed the cap in School FIRST for districts of your size?

**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.)**

If the school district had a decline in students over 3 school years, this



## *How Ratings are Assessed*

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indicator asks if the school district decreased the number of the staff on the payroll in proportion to the decline in students. (The school district automatically passes this indicator if there was no decline in students.)

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.

**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?**

This indicator measures the quality of data reported to PEIMS and in your 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 3 percent or more, your district "fails" this measure.

**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.)**

A clean audit of your Annual Financial Report would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed.

**15. Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an overallocation of Foundation School Program (FSP) funds as a result of a financial hardship?**