
Frenship Independent School District

Annual Financial Accountability Management Report

For the Year Ending August 31, 2017

**Dr. Michelle McCord, Superintendent
Jason Gossett, Assistant Supt. / CFO**

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Frenship Independent School District Annual Financial Accountability Management Report

Introduction

Passed during the 77th regular session of the Texas legislature (2001), Senate Bill 218 requires each school district to prepare an annual financial accountability report. Many business-related issues are covered in this report. The primary reporting tool, however, is the Financial Accountability Ratings Worksheet. This worksheet was 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 TEA and calculated on information submitted to the Agency via the annual PEIMS (Public Education Information Management System) submission. PEIMS data has always been critical on the student side of the submission, and this project will add a great degree of importance to the financial submission.

Known as the FIRST rating (Financial Integrity Rating System of Texas), the worksheet consists of 15 Indicators, each weighted equally with the exception of those dealing with fund balance and the audit report. A “No” response to Indicators 1, 2, 3, 4 or 5 results in an automatic rating of “Substandard Achievement”. These indicators deal with total fund balance, net asset balances, default on debt payments, and filing the annual financial report on time. Under the new point system, a score of 60-79 and a “Yes” response to all indicators 1-5 are required to receive a rating of “Meets Standard”.

For the 14 years in a row, Frenship ISD continued its financial excellence with a rating of “**Superior**” for the 2016-2017 fiscal year, scoring a total of 94 points out of a possible 100. Since the scoring has now changed, Frenship ISD maintains the highest level of achievement from the 15-16 fiscal year with a “A = Superior” rating with a score of 92 out of 100. This report briefly focuses on how this rating was achieved and what will be required to maintain it.

FIRST SCORECARD FRENSHIP ISD

10/3/2017

District Status Detail

RATING YEAR



Financial Integrity Rating System of Texas

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

Name: FRENSHIP ISD(152907)	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: 94	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 12:01:41 PM	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 12:01:41 PM	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 12:01:41 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>	3/28/2017 12:01:41 PM	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 12:01:41 PM	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 12:01:42 PM	Yes
			1 Multiplier Sum

<http://tea4avwaylon.tea.state.tx.us/First/forms/District.aspx?year=2015&district=152907>

1/3

First Scorecard cont.

0/3/2017

District Status Detail

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 12:01:42 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 12:01:42 PM	6
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 12:01:43 PM	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 12:01:43 PM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	5/18/2017 12:31:08 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 12:01:44 PM	8
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 8:25:32 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 12:01:44 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 12:01:45 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 12:01:45 PM	10
			94 Weighted Sum
			1 Multiplier Sum
			94 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)		
	<table border="1"> <tr> <td>A = Superior</td> <td>90-100</td> </tr> </table>	A = Superior	90-100
A = Superior	90-100		

Overview of Each Indicator

Indicator #1 and #2 – Annual Financial (Audit) Report Submission to TEA, Unmodified Opinion

The District must have the annual audit report completed, approved by the Board, and submitted to TEA within one month of the January 28th statutory deadline. Failure to meet this one requirement will result in an automatic “substandard achievement” rating. Second, the District must receive an Unqualified Opinion from the auditor. This means the financial statements were auditable; the records were in reasonably good condition, and fairly present the District’s financial position.

For the 2015-2016 Fiscal Year the annual Audit report was filed in a timely manner and an Unqualified Opinion was issued.

Indicator #3 – Debt Service Payments

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.)

The District must pay all Debt Service according to the terms set forth in the documents that the district agreed to when selling the Bonds approved by the voters. This indicator is to ensure that the District adheres to those terms and pays the debt payments on schedule.

This indicator seeks to make certain a district has paid its bills/obligations on bonds issued to pay for school facility construction. For Frenship ISD, debt payments of principal and interest are made every February 15 and every August 15. For 2015-16, these payments were timely made for \$4.854 Million on principal and \$11.281 Million on interest.

No Disclosure of Default *PASS*

Indicator # 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?

Frenship ISD made all payments to the before mentioned agencies in a timely manner during the 2015-16 fiscal year.

Timely Payments to Government Agencies: True

Indicator #5 Total Unrestricted Net Asset Balance

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 is to ensure that the District has a positive unrestricted net asset position in the A-1 Schedule in the annual audit. This indicator also includes the Accretion of Interest for Capital Appreciation Bonds if the district has any outstanding CABs.

For districts that are considered fast growth, which means their student enrollment has grown more than 10% in five years, there is a pass on this indicator if the district doesn’t pass on the first portion of the indicator.

<i>Frenship passes on both indicators.</i>	
<i>Total Unrestricted Net Asset Balance</i>	<i>\$16,648,887</i>
<i>Accretion of Interest for Capital Appreciation Bonds</i>	<i>\$2,613,017</i>
<i>Pension Expense and Net Pension Liability</i>	<i>\$11,897,514</i>
<i>Five year Student Growth</i>	<i>18.39%</i>
<i>Frenship ISD Passes on both criteria</i>	

Indicator #6 Cash and Current Investments vs Operating Expenditures

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.)

<i>Cash and Equivalents</i>	<i>\$21,909,000</i>
<i>+Current Investments</i>	<i>\$3,995,564</i>
<i>Total</i>	<i>\$25,904,564</i>
<i>/Total Expenditures</i>	<i>\$66,585,860</i>
<i>-Facilities Acquisitions and Construction</i>	<i>\$80,987</i>
<i>X 365 Days</i>	<i>142.1725</i>
<i>Points</i>	<i>10 of 10</i>

DETERMINATION OF POINTS

10	8	6	4	2	0
>=90	<90 >=75	<74 >=60	<60 >=45	<45 >=30	<30

Indicator #7 – Current Assets to Current Liabilities Ratio

Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)

<i>Current Assets</i>	\$29,703,893
<i>Current Liabilities</i>	\$12,486,641
<i>Result</i>	2.3789
<i>Points</i>	6 of 10

DETERMINATION OF POINTS

10	8	6	4	2	0
>=3.00	<3.00 >=2.50	<2.50 >=2.00	<2.00 >=1.50	<1.50 >=1.00	<1.00

Due to the Principal Payment on Bonds due within a year, the Current Liabilities were increased by \$4,854,289.70. The cash received for this payment is collected as the Tax Revenues are received in the next fiscal year. This ratio will always behave in this manner as long as Frenship ISD has Debt Service Payments. Since our ratio has increased we did make an improvement in this indicator from 4 points the previous year to 6 points this year. This is the result of paying down debt and the refunding of existing bond over the years and on how our repayment schedule for bonds is currently structured.

Indicator #8 Long-Term Liabilities vs Total Assets

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.)

<i>Long Term Liabilities- Net Pension Liability</i>	\$245,189,675
<i>Total Assets</i>	\$304,248,150
<i>Result</i>	0.8058872
<i>Year Growth</i>	18.39 %
<i>Points</i>	10 of 10 due to the growth factor

DETERMINATION OF POINTS

10	8	6	4	2
<=0.60	>0.60 <=0.70	>0.70 <=0.80	>0.80 <=0.90	>0.90<=1.00

Indicator #9 Revenues vs Expenditures

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?

For 2015-16 fiscal year, FISD experienced a surplus of Revenues over Expenditures of \$4.24 million and the cash on hand equation equaled 142 days. Therefore, FISD was awarded ten (10) points for this indicator.

Indicator #10 Debt Service Ratio

Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)

This indicator is used to evaluate if districts are using M&O Funds to support their Debt payments or if the districts I&S rate and fund balance are sufficient to cover debt service payments.

<i>Total Revenues</i>	\$85,868,412
- <i>Total Expenditures</i>	\$83,022,820
+ <i>Debt Service</i>	\$16,579,124
+ <i>Debt Service Fund Balance</i>	\$6,108,013
+ <i>Function Code 81 (Construction)</i>	\$80,987
	\$24,532,729
<i>/ Debt Service</i>	\$16,579,124
Result	1.54
Points	10 of 10

10	8	6	4	2	0
>=1.20	<1.20 >=1.15	<1.15 >=1.10	<1.10 >=1.05	<1.05 >=1.00	<1.00

Indicator #11 – Administrative Cost Ratio

Was the school district’s administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)

To ensure instructional dollars are being spent on education, the state of Texas prescribes certain expenditure limits for administrative costs for districts according to their size. Frenship’s limit is 10% for the full 10 points. This is a reduction of previous years’ limits on this indicator.

Administrative Cost Comparison

<u>Year</u>	<u>State Limit</u>	<u>District Actual</u>
2015-16	10.00%	10.74%
2014-15	10.00%	10.88%
2013-14	10.00%	10.65%
2012-13	12.50%	10.23%
2011-12	12.50%	10.32%
2010-11	12.50%	9.92%
2009-10	12.50%	9.54%
2008-09	12.50%	9.58%
2007-08	12.50%	10.02%
2006-07	12.50%	9.84%
2005-06	12.50%	9.67%
2004-05	12.50%	9.78%

The new criteria is listed below. Based on the districts size determines what the range of administrative costs ratio and the points awarded. The range of points is from 10-0 with ranges for 10, 8, 6,4,2,0 points.

DETERMINATION OF POINTS

ADA Size	10	8	0
10,000 and Above	<= 0.0855	> 0.0855 <= 0.1105	> 0.1855
5,000 to 9,999	<= 0.1000	> 0.1000 <= 0.1250	> 0.2000
1,000 to 4,999	<= 0.1151	> 0.1151 <= 0.1401	> 0.2151
500 to 999	<= 0.1311	> 0.1311 <= 0.1561	> 0.2311
Less than 500	<= 0.2404	> 0.2404 <= 0.2654	> 0.3404
Sparse	<= 0.3364	> 0.3364 <= 0.3614	> 0.4364

Frenship was awarded 8 points based on an Administrative Cost Ratio of 0.1074

Indicator #12 Student to Staff Ratio

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.)

Frenship ISD has had an increase of enrollment for the past decade so this indicator is an automatic pass for 10 points.

Indicator #13 – Variance of less than 3% between PEIMS and Annual Financial Report

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 criterion focuses on data quality standards. The information submitted electronically via PEIMS should not vary by more than 3% from the same data submitted in paper form via the Annual Financial Report. Frenship’s data submission met this standard with a variance of 0.0 percent.

Frenship scored 10 points with a variance of 0.00

0.0% < 3%

10 Points

Indicator #14 – Disclosure in the Audit Report of Material Noncompliance

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.)

Again focusing on the annual financial report, this indicator asks if there were any disclosures of material noncompliance. There were no reports of material noncompliance in the annual financial report for Frenship for the 2015-16 fiscal year.

No Disclosure

10 Points

Indicator #15 Financial Hardship

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?

No Adjusted Repayment Schedule 10 Points

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. The Superintendent’s contract is posted online at the link below.

<https://1.cdn.edl.io/jvioUubM1rSguSWupzEnVuNnbxH871ZzuXwrxbuqzvCd1tp6.pdf>

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 reimbursements received for the twelve-month period ending August 31, 2017 are as follows.

Reimbursements Received by the Superintendent and Board Members								
For the Twelve-Month Period Ended June 30 or August 31, 2017								
Description of Reimbursements	Superintendent	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
	Michelle McCord	Brad Draper	David Miller	Greg Robinson	Jamey Phillips	Kelley Grimes	Kyle Rogers	Troy Vanderburg
Meals	742.68	134.79	28.21	135.92	39.34	81.96	28.21	28.21
Lodging	2825.36		220.89		220.89	220.89		
Transportation	2711.53		197.98		442.33	533.31		
Motor Fuel	15.02							
Other	1061				395	395		
Total	\$7,355.59	\$134.79	\$447.08	\$135.92	\$1,097.56	\$1,231.16	\$28.21	\$28.21

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

Description of Compensations	
Total	

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 are 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.

Description of Gifts Received	Michelle McCord Superintendent	Board Members						
		Brad Draper	David Miller	Greg Robinson	Kelley Grimes	Kyle Rogers	Jamey Phillips	Troy Vanderburg
None Reported	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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.

Description of Transaction	Michelle McCord Superintendent	Board Members						
		Brad Draper	David Miller	Greg Robinson	Kelley Grimes	Kyle Rogers	Jamey Phillips	Troy Vanderburg
None Reported	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	\$ 0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00