

# Friendswood Independent School District

## 2014 Annual Financial Management Report Schools FIRST

For the Year Ending August 31, 2013



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, 2013**

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**Friendswood Independent School District  
2014 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 2013-2014 Final School FIRST rating on September 5, 2014. This rating is based upon analysis of staff and student data reported for the 2012-2013 school year, and budgetary and actual financial data for the fiscal year ending August 31, 2013.

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 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.

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.

The worksheet and its indicators have undergone several changes since its inception. Some indicators have been completely removed, and others have been changed or updated to reflect the latest requirements from TEA. Two years ago, TEA made the following changes. Indicator #7, which asked whether the District’s academic rating exceeded Academically Acceptable, was removed. Also, Indicator #19, which referred to the District’s Optimum Fund Balance as required in the Annual Financial Report, was removed because TEA no longer requires the Optimum Fund Balance to be calculated and included in the Annual Financial Report. Indicator’s #1 and #18, related to fund balance, were updated to reflect the changes required as a result of GASB #54. These changes were intended to improve the usefulness of the amounts reported in fund balance by providing more structured classification and renaming the fund balance categories. Finally, Indicator #20 was changed as a result of the low interest rate environment that the economy has seen for the past several years and now requires school districts to meet or exceed the 3-month Treasury Bill rate instead of earning more than \$20 per student. There were no changes to the worksheet this year.

Currently, the worksheet consists of 20 Indicators, each weighted equally with the exception of the Critical Indicators. A “No” response in Indicators #1, #2, #3 or #4 or a “No” response to both Indicators #5 and #6 together will automatically result in a rating of Substandard Achievement, so these first six Indicators are of utmost importance.

In summary, like last year, Friendswood ISD enjoys a rating of “***Superior Achievement***”, scoring a 70 out of a possible 70 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**

**2013-2014 RATINGS BASED ON SCHOOL YEAR 2012-2013 DATA -  
DISTRICT STATUS DETAIL**

<b>Name: FRIENDSWOOD ISD(084911)</b>	<b>Publication Level 1: 6/18/2014 8:04:42 AM</b>
<b>Status: Passed</b>	<b>Publication Level 2: 9/5/2014 4:00:21 PM</b>
<b>Rating: Superior Achievement</b>	<b>Last Updated: 9/5/2014 4:00:21 PM</b>
<b>District Score: 70</b>	<b>Passing Score: 52</b>

#	Indicator Description	Updated	Score
1	Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?	4/28/2014 12:56:14 PM	Yes
2	Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)	4/28/2014 12:56:14 PM	Yes
3	Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?	4/28/2014 12:56:14 PM	Yes
4	Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?	4/28/2014 12:56:15 PM	Yes

5	Was There An Unqualified Opinion in Annual Financial Report?	4/28/2014 12:56:15 PM	Yes
6	Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?	4/28/2014 12:56:15 PM	Yes
7	Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?	4/28/2014 12:56:16 PM	5
8	Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?	4/28/2014 12:56:16 PM	5
9	Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)	5/15/2014 11:51:34 AM	5
10	Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?	4/28/2014 12:56:17 PM	5
11	Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)	4/28/2014 12:56:17 PM	5
12	Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In	4/28/2014 12:56:18 PM	5

General Fund?			
13	If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)	4/28/2014 12:56:18 PM	5
14	Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivable) In The General Fund Greater Than Or Equal To 1:1? (If Deferred Revenues Are Less Than Net Delinquent Taxes Receivable)	4/28/2014 12:56:19 PM	5
15	Was The Administrative Cost Ratio Less Than The Threshold Ratio?	4/28/2014 12:56:19 PM	5
16	Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?	4/28/2014 12:56:19 PM	5
17	Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?	4/28/2014 12:56:20 PM	5
18	Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If Total Revenues > Operating Expenditures In The General Fund,Then District Receives 5 Points)	4/28/2014 12:56:20 PM	5
19	Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?	4/28/2014 12:56:20 PM	5
20	Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet	5/14/2014 12:20:59	5

or Exceed the 3-Month Treasury Bill Rate?	PM	
		70 Weighted Sum
		1 Multiplier Sum
		<b>70 Score</b>

**DETERMINATION OF RATING**

<b>A.</b>	Did The District Answer 'No' To Indicators 1, 2, 3 Or 4? <b>OR</b> Did The District Answer 'No' To Both 5 and 6? 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 7-20)		
	<b>Superior Achievement</b>	<b>64-70</b>	
	<b>Above Standard Achievement</b>	58-63	
	<b>Standard Achievement</b>	52-57	
	<b>Substandard Achievement</b>	< 52	



## Overview of the Worksheet

### Critical Indicators

Indicators 1 through 6 are considered critical indicators. Any “No” response in one of these categories is a signal indicator of fiscal distress. These six indicators revolve around the audit report, fund balance, and the auditor’s findings.

#### Indicator #1

**Indicator:** Was the Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater than Zero in the General Fund?

**Indicator Goal:** To determine if the district has money set aside for emergencies or what we would consider “savings”.

**FISD Answer:** True. Total Fund Balance less Nonspendable and Restricted fund balance equaled \$10,850,768. Last year’s indicator was also true with \$9,744,324 in Total Fund Balance Less Reserves.

#### Indicator #2

**Indicator:** Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) in the Government Activities Column in the Statement of Net Position Greater than Zero? (If the District’s 5 Year Percent Change in Students was 10 percent or more)

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

**FISD Answer:** True. Friendswood’s 5 year percent change in students did not equal more than 10 percent for this year or last year. Total unrestricted net asset balance equaled \$11,429,556 this year, and \$9,274,919 last year.

#### Indicator #3

**Indicator:** Were there no disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?

**Indicator Goal:** To determine if the district paid all payments for outstanding bonds during the year.

**FISD Answer:** True. Friendswood did not have any disclosures in the annual financial report for default on bonded indebtedness this year or last year.

#### Indicator #4

**Indicator:** Was the annual financial report filed within one month after November 27<sup>th</sup> or January 28<sup>th</sup> deadline depending upon the district's fiscal year end date (June 30<sup>th</sup> or August 31<sup>st</sup>)?

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

**FISD Answer:** True. Like last year, the District met this requirement. The annual financial report was received by the Texas Education Agency in November 2013, before the required deadline of February 28, 2014.

#### Indicator #5

**Indicator:** Was there an unqualified opinion in the annual financial report?

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

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

#### Indicator #6

**Indicator:** Did the annual financial report not disclose any instance(s) of material weaknesses in internal controls?

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

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

## All Other Indicators

### **Indicator #7**

**Indicator:** Was the three-year average percent of total tax collections (including delinquent) greater than 98 percent?

**Indicator Goal:** To determine whether the District is able to successfully collect its tax levy on businesses and homeowners in the community.

**FISD Answer:** 5 of 5 points. FISD surpassed the minimum requirement of 98 percent collected by collecting 100 percent of total tax collections both this year and last.

### **Indicator #8**

**Indicator:** Did the comparison of PEIMS data to like information in the annual financial report result in an aggregate variance of less than 3 percent of expenditures per fund type?

**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:** 5 of 5 points. Like last year, FISD had a negligible variance (due to rounding) when comparing financial information reported through PEIMS to the information reported in the annual financial report submission.

### **Indicator #9**

**Indicator:** Were debt related expenditures (net of IFA and/or EDA allotment) less than \$350 per student? (If the district's five-year percent change in students equals or is greater than 7%, or if the property taxes collected per penny of tax effort is greater than \$200,00 then exception is met)

**Indicator Goal:** To show the Legislature's intent for school districts to focus spending on education, by limiting the amount of money districts can spend on debt for construction projects to \$250 per student.

**FISD Answer:** 5 of 5 points. In 2013 and 2012, FISD's current property taxes collected per penny of tax effort equaled \$216,019 and \$209,429, respectively, therefore, the exception was met. In 2013 and 2012, debt related expenditures were \$1,197 and \$1,333 per student, respectively.

### Indicator #10

**Indicator:** Was there no disclosure in the annual audit report of material noncompliance?

**Indicator Goal:** To determine whether the district is in compliance with state and federal laws in regards to spending state and federal funds.

**FISD Answer:** 5 of 5 points. FISD did not have any disclosures of material noncompliance in the audit report this year or last year.

### Indicator #11

**Indicator:** Did the district have full accreditation status in relation to financial management practices?

**Indicator Goal:** To determine if the district had no financial conservator or monitor assigned.

**FISD Answer:** 5 of 5 points. Like last year, FISD has full accreditation status.

### Indicator #12

**Indicator:** Was the aggregate of budgeted expenditures and other uses less than the aggregate of total revenues, other resources and fund balance in General Fund?

**Indicator Goal:** To determine if the district budgeted more expenditures than revenues, including fund balance, in the general fund.

**FISD Answer:** 5 of 5 points. This year, like last year, FISD's expenditure budget did not exceed the total of its revenue budget plus its fund balance in the General Fund.

### Indicator #13

**Indicator:** If the District's aggregate fund balance in the General Fund and Capital Projects fund was less than zero, were construction projects adequately financed?

**Indicator Goal:** To determine whether the district had funds available for construction projects if there was no fund balance.

**FISD Answer:** 5 of 5 points. Like last year, FISD's construction projects were adequately financed. In addition, the District has a positive fund balance in these funds.

### Indicator #14

**Indicator:** Was the ratio of cash and investments to deferred revenues (excluding amount equal to net delinquent taxes receivable) in the general fund greater than or equal to 1:1?

**Indicator Goal:** To determine whether the district's cash is equal to or greater than its deferred revenues to ensure we are not spending money we have received (typically overpayments from TEA) before we have earned it (in case we must pay it back).

**FISD Answer:** 5 of 5 points. Like last year, FISD has the appropriate level of cash available to cover any overpayments and other deferred revenues.

### Indicator #15

**Indicator:** Was the administrative cost ratio 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, 12.5 percent is the acceptable administrative cost ratio.

**FISD Answer:** 5 of 5 points. Like last year, FISD's administrative cost ratio is below 12.5%. Last year, it was 11.34%, and this year it is 10.78%.

### Indicator #16

**Indicator:** Was the ratio of students to teachers within the ranges shown below according to district size?

**Indicator Goal:** To determine whether the district's pupil-teacher ratio measures within the acceptable limits set forth by TEA. Based on the number of students, FISD is considered low with a 13:1 ratio and high with a 22:1 ratio.

**FISD Answer:** 5 of 5 points. FISD's pupil-teacher ratio was 17:1 last year and 17:1 this year.

### Indicator #17

**Indicator:** Was the ratio of students to total staff within the ranges shown below according to district size?

**Indicator Goal:** To determine if the district's student to total staff ratio measures within the acceptable limits set forth by TEA. Based on the number of students, FISD is considered low with a 6.8:1 ratio and high with a 14:1 ratio.

**FISD Answer:** 5 of 5 points. FISD's student to total staff ratio was 9:1 last year and 9:1 this year.

### Indicator #18

**Indicator:** Was the decrease in undesignated unreserved (unassigned) fund balance less than 20 percent over two years? (If total revenues are greater than operating expenditures in the general fund, then district receives 5 points)

**Indicator Goal:** To determine if the district is utilizing fund balance to pay for salaries or other operating expenses.

**FISD Answer:** 5 of 5 points. Like last year, the District has not decreased its unassigned fund balance more than 20 percent over two years. In fact, the unassigned fund balance increased by \$1.1M from fiscal year 2012 to 2013.

### Indicator #19

**Indicator:** Was the aggregate total of cash and investments in the general fund more than zero?

**Indicator Goal:** To determine if the district has cash in bank or investment accounts.

**FISD Answer:** 5 of 5 points. Like last year, FISD has money in bank and investment accounts for reserves.

### Indicator #20

**Indicator:** Did investment earnings in all funds (excluding debt service fund and capital projects fund) meet or exceed the 3-month Treasury Bill rate?

**Indicator Goal:** To determine if the district is wisely investing money in order to gain interest income.

**FISD Answer:** 5 of 5 points. Like last year, FISD invested funds and received a return on investment that exceeded the 3-month Treasury Bill rate.

## REQUIRED DISCLOSURES

### Summary Schedule of Reimbursements as of August 31, 2013

Name	Meals	Lodging	Transportation	Fuel	Other	Total
Trish Hanks	\$416.00	\$3,208.30	\$2,624.50		\$52.00	\$6,300.80
Rebecca Hillenburg		\$399.93				\$399.93
Ralph Hobratschk	\$27.72	\$205.85	\$174.50		\$18.00	\$426.07
Tony Hopkins		\$205.85				\$205.85
Robert McCabe		\$205.85			\$20.00	\$225.85
David Montz		\$681.84				\$681.84
Matt Robinson	\$604.88	\$1,999.74	\$668.03	\$5.95	\$152.69	\$3,431.29
Mike Shaw		\$205.85				\$205.85
<b>TOTAL</b>	\$1,048.60	\$7,113.21	\$3,467.03	\$5.95	\$242.69	\$11,877.48

### **Business Transactions Between School Districts and Board Members for FY 2013**

There were no business transactions between the District and any board member for FY 2013.

### **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, 2013.

### **Superintendent's Contract**

The Superintendent's current contract is posted on the District 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, 2013 from an outside entity that received payments from Fisd in the prior fiscal year or from competing vendors that were not awarded contracts in the prior fiscal year.



**Friendswood Independent School District**  
**Schedule of Data Submitted under the Financial Solvency Provisions of TEC §39.0822**  
**For Year Ending August 31, 2013**

**General Fund - 2013-2014 First Quarter Expenditures by Object Code**

Type	Description	Expenditures
Payroll	Expenditures for payroll costs	\$ 6,957,421
Contract Costs	Expenditures for services rendered by firms, individuals, and other organizations	\$ 895,731
Supplies & Materials	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	\$ 402,790
Other Operating	Expenditure for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	\$ 640,314
Debt Service	Expenditures for debt service	\$ -
Capital Outlay	Expenditures for land, buildings, and equipment	\$ 714
<b>TOTAL 1st QUARTER EXPENDITURES</b>		<b><u>\$ 8,896,969</u></b>

**Additional Financial Solvency Questions**

	Yes	No
1. Within the last two years, did the school district:		
a. Draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and		X
b. For the prior fiscal year, have a total of General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?		X
2. Has the school district declared financial exigency within the past two years?		X
3. Provide comments or explanations for student-to-staff ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.		
Friendswood ISD's student-to-staff ratios are within the acceptable ranges. There are no budget or other financial concerns for FISD that would impact the district's financial solvency.		
4. How many superintendents has your school district had in the last five years?	1	
5. How many business managers has your school district had in the last five years?	2	