



Presented by
Financial Services Department

October 26, 2015





Financial Integrity Rating System of Texas

- Adopted during the 1999 Legislature, School F.I.R.S.T. is a statewide rating system implemented in 2003 beginning with the 2001-2002 fiscal year.
- TEA implemented numerous changes effective over the years and did so again this year.



Financial Integrity Rating System of Texas

Purpose

- Expands the public education accountability system in Texas to the Financial Services.
- Primary goal is to improve the management of school districts' financial resources.
- Assure the maximum allocation of resources for direct instructional purposes.



Financial Integrity Rating System of Texas

- Several new indicators are more easily recognized and interpreted by both the public and the finance industry.
- Several new indicators have a wider sliding scale range to allow a high, medium, or low points award for those indicators (from 0 to 10 points).



Financial Integrity Rating System of Texas

- Failure to meet the requirements of any critical indicator would cause a failure of FIRST.
- The ratings and indicators for the first year is different than following years to allow a transition period.





Financial Integrity Rating System of Texas

Determination of School District Rating

- Numerical scores based on
 - Pass = 16-30 points with no critical fail indicator
 - Fail = 0-15 points or fail a critical indicator



Financial Integrity Rating System of Texas

Critical Indicators



Financial Integrity Rating
System of Texas

*Was the Annual Financial Report
filed within one month after the
January 28th deadline?*

YES

Indicator 1



Financial Integrity Rating
System of Texas

*Was there an unmodified opinion in
the Annual Financial Report?*

YES

Indicator 2



Financial Integrity Rating System of Texas

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

YES

Indicator 3



Financial Integrity Rating
System of Texas

*Was the total unrestricted net asset balance
in the Statement of Net Assets
greater than zero?*

YES



Financial Integrity Rating System of Texas

Solvency Indicator



Financial Integrity Rating
System of Texas

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

YES – 10 points



Financial Integrity Rating System of Texas

0.0394



ADA Size	10	8	6	4	2	0
10,000+	<= 0.0855	> 0.0855 <= 0.1105	> 0.1105 <= 0.1355	> 0.1355 <= 0.1605	> 0.1605 <= 0.1855	> 0.1855
5,000 to 9,999	<= 0.1000	> 0.1000 <= 0.1250	> 0.1250 <= 0.1500	> 0.1500 <= 0.1750	> 0.1750 <= 0.2000	> 0.2000
1,000 to 4,999	<= 0.1311	> 0.1311 <= 0.1561	> 0.1561 <= 0.1811	> 0.1811 <= 0.2061	> 0.2061 <= 0.2311	> 0.2311
Less than 500	<= 0.2404	> 0.2404 <= 0.2654	> 0.2654 <= 0.2904	> 0.2904 <= 0.3154	> 0.3154 <= 0.3404	> 0.3404
Sparse	<= 0.0855	> 0.0855 <= 0.1105	> 0.1105 <= 0.1355	> 0.1355 <= 0.1605	> 0.1605 <= 0.1855	> 0.1855
	10	8	6	4	2	0

Indicator 5



**Financial Integrity Rating
System of Texas**

Financial Competence Indicators



Financial Integrity Rating
System of Texas

Did the comparison of PEIMS data to like information in the Annual Financial Report result in an aggregate variance of less than 3% of expenditures per fund type?

YES – 10 points



Financial Integrity Rating
System of Texas

*Was the Annual Financial Report
free of any material weaknesses in
internal controls?*

YES – 10 points

Indicator 7



Financial Integrity Rating
System of Texas

What is KISD's Rating?

KISD passed all four YES/NO indicators

KISD received 30 of 30 points

Rating: P = PASSED

The district received the highest rating possible as established under guidelines and rules established by the Texas Education Agency.



Financial Integrity Rating System of Texas

Future Ratings



Financial Integrity Rating System of Texas

Future Ratings

- One additional Critical Indicator
- Six additional Solvency Indicators
- One additional Financial Competence Indicators



Financial Integrity Rating System of Texas

Rankings: School Years 2015-2016 & 2016-2017

- Superior will be highest possible score.
- Above Standard will be next existing category
- Meets Standard will be the minimum passing score.
- Substandard, which may result from critical fail indicators or exceptionally low total points awarded.



Financial Integrity Rating System of Texas

Future Critical Indicator (1)



Financial Integrity Rating System of Texas

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?

Future indicator



Financial Integrity Rating System of Texas

Future Solvency Indicators (6)



Financial Integrity Rating System of Texas

Were the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures?

Future indicator



Financial Integrity Rating System of Texas

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

Future indicator



Financial Integrity Rating System of Texas

*Was the ratio of long-term liabilities
to total assets for the school district
sufficient to support long-term
solvency?*

Future indicator



Financial Integrity Rating
System of Texas

Did the school district's general fund revenues equal or exceed expenditures?

If not, was the school district's number of days of cash on hand greater than or equal to 60 days?

Future indicator



Financial Integrity Rating System of Texas

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

Future indicator



Financial Integrity Rating System of Texas

*Did the school district NOT have a
15% decline in the students to staff
ratio over 3 years?*

Future indicator



Financial Integrity Rating System of Texas

Future Financial Competence Indicators (1)



Financial Integrity Rating System of Texas

Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an overall allocation of Foundation School Program funds as a result of financial hardship?

Future indicator



Questions





2013-2014

Schools FIRST

Financial Management Report

October 26, 2015

Katy Independent School District
6301 South Stadium Lane
P.O. Box 159
Katy, Texas 77492-0159

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- Schools FIRST Presentation
- TEA's 2013-2014 Accountability Ratings
- TEA's 2012-2013 Accountability Ratings
- Disclosures
 - Reimbursements
 - Outside compensation and fees received by Superintendent
 - Gifts
 - Business Transactions

Schools FIRST Presentation



Presented by
Financial Services Department

October 26, 2015



1



Financial Integrity Rating
System of Texas

- Adopted during the 1999 Legislature, School F.I.R.S.T. is a statewide rating system implemented in 2003 beginning with the 2001-2002 fiscal year.
- TEA implemented numerous changes effective over the years and did so again this year.

2



Financial Integrity Rating
System of Texas

Purpose

- Expands the public education accountability system in Texas to the Financial Services.
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- Assure the maximum allocation of resources for direct instructional purposes.

3





Financial Integrity Rating
System of Texas

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4



Financial Integrity Rating
System of Texas

- Failure to meet the requirements of any critical indicator would cause a failure of FIRST.  
- The ratings and indicators for the first year is different than following years to allow a transition period.

5



Financial Integrity Rating
System of Texas

Determination of School District Rating

- Numerical scores based on
 - Pass = 16-30 points with no critical fail indicator
 - Fail = 0-15 points or fail a critical indicator

6



Critical Indicators

7



*Was the Annual Financial Report
filed within one month after the
January 28th deadline?*

YES

Indicator 1

8



*Was there an unmodified opinion in
the Annual Financial Report?*

YES

Indicator 2

9



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

YES

Indicator 3

10



*Was the total unrestricted net asset balance
in the Statement of Net Assets
greater than zero?*

YES

Indicator 4

11



Solvency Indicator

12



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

YES – 10 points



0.0394

ADA Size	10	8	6	4	2	0
10,000+	<= 0.0855	> 0.0855	> 0.1105	> 0.1355	> 0.1605	> 0.1855
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	10	8	6	4	2	0



Financial Competence Indicators



Did the comparison of PEIMS data to like information in the Annual Financial Report result in an aggregate variance of less than 3% of expenditures per fund type?

YES – 10 points



Was the Annual Financial Report free of any material weaknesses in internal controls?

YES – 10 points



What is KISD's Rating?

KISD passed all four YES/NO indicators
KISD received 30 of 30 points

Rating: P = PASSED

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Future Ratings

19



Future Ratings

- One additional Critical Indicator
- Six additional Solvency Indicators
- One additional Financial Competence Indicators

20



Rankings: School Years 2015-2016 & 2016-2017

- Superior will be highest possible score.
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- Meets Standard will be the minimum passing score.
- Substandard, which may result from critical fail indicators or exceptionally low total points awarded.

21



Future Critical Indicator (1)

22



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?

Future indicator

23



Future Solvency Indicators (6)

24



Were the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures?



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



Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?



Did the school district's general fund revenues equal or exceed expenditures?

If not, was the school district's number of days of cash on hand greater than or equal to 60 days?



Was the debt service coverage ratio sufficient to meet the required debt service?



Did the school district NOT have a 15% decline in the students to staff ratio over 3 years?



Future Financial Competence Indicators (1)



Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an overall allocation of Foundation School Program funds as a result of financial hardship?



Questions



School Year

2013-2014

Accountability Ratings



Financial Integrity Rating System of Texas

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

Name: KATY ISD(101914)	Publication Level 1: 8/20/2015 11:24:40 AM
Status: Passed	Publication Level 2: 8/20/2015 11:24:40 AM
Rating: Pass	Last Updated: 8/20/2015 11:24:40 AM
District Score: 30	Passing Score: 16

#	Indicator Description	Updated	Score
1	<u>Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</u>	4/6/2015 2:50:29 PM	Yes
2	<u>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</u>	4/6/2015 2:50:29 PM	Yes
3	<u>Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u>	4/6/2015 2:50:29 PM	Yes
4	<u>Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</u>	7/30/2015 12:20:40 PM	Yes
			1 Multiplier Sum
5	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	7/15/2015 11:54:14 AM	10
6	<u>Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?</u>	8/17/2015 5:50:18 PM	10

7	<u>Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)</u>	4/6/2015 2:50:32 PM	10
			30 Weighted Sum
			1 Multiplier Sum
			30 Score

DETERMINATION OF RATING

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

Home Page: [Financial Accountability](#) | Send comments or suggestions to FinancialAccountability@tea.state.tx.us

THE [TEXAS EDUCATION AGENCY](#)
1701 NORTH CONGRESS AVENUE · AUSTIN, TEXAS, 78701 · (512) 463-9734

School Year

2012-2013

Accountability Ratings



Financial Integrity Rating System of Texas

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

Name: KATY ISD(101914)	Publication Level 1: 6/18/2014 8:04:42 AM
Status: Passed	Publication Level 2: 9/5/2014 4:00:21 PM
Rating: Superior Achievement	Last Updated: 9/5/2014 4:00:21 PM
District Score: 70	Passing Score: 52

#	Indicator Description	Updated	Score
1	<u>Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?</u>	4/28/2014 1:07:02 PM	Yes
2	<u>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)</u>	4/28/2014 1:07:03 PM	Yes
3	<u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u>	4/28/2014 1:07:03 PM	Yes
4	<u>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)?</u>	4/28/2014 1:07:04 PM	Yes
5	<u>Was There An Unqualified Opinion in Annual Financial Report?</u>	4/28/2014 1:07:04 PM	Yes
6	<u>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</u>	4/28/2014 1:07:04 PM	Yes
			1 Multiplier Sum
7	<u>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</u>	4/28/2014 1:07:05 PM	5
8	<u>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)?</u>	4/28/2014 1:07:06 PM	5

9	<u>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)</u>	5/15/2014 11:53:38 AM	5
10	<u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u>	4/28/2014 1:07:06 PM	5
11	<u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</u>	4/28/2014 1:07:07 PM	5
12	<u>Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?</u>	4/28/2014 1:07:07 PM	5
13	<u>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)</u>	4/28/2014 1:07:08 PM	5
14	<u>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)</u>	4/28/2014 1:07:08 PM	5
15	<u>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</u>	4/28/2014 1:07:09 PM	5
16	<u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u>	4/28/2014 1:07:09 PM	5
17	<u>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</u>	4/28/2014 1:07:10 PM	5
18	<u>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)</u>	4/28/2014 1:07:10 PM	5
19	<u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u>	4/28/2014 1:07:11 PM	5
20	<u>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?</u>	5/14/2014 12:22:57 PM	5
			70 Weighted Sum
			1 Multiplier Sum
			70 Score

DETERMINATION OF RATING

A. Did The District Answer 'No' To Indicators 1, 2, 3 Or 4? **OR** Did The District Answer 'No' To Both 5 and 6? If So, The District's

	Rating Is Substandard Achievement .								
B.	Determine Rating By Applicable Range For summation of the indicator scores (Indicators 7-20)								
	<table border="1"> <tr> <td>Superior Achievement</td> <td>64-70</td> </tr> <tr> <td>Above Standard Achievement</td> <td>58-63</td> </tr> <tr> <td>Standard Achievement</td> <td>52-57</td> </tr> <tr> <td>Substandard Achievement</td> <td><52</td> </tr> </table>	Superior Achievement	64-70	Above Standard Achievement	58-63	Standard Achievement	52-57	Substandard Achievement	<52
Superior Achievement	64-70								
Above Standard Achievement	58-63								
Standard Achievement	52-57								
Substandard Achievement	<52								

INDICATOR 16 & 17 RATIOS

Indicator 16	Ranges for Ratios		Indicator 17	Ranges for Ratios	
	Low	High		Low	High
District Size - Number of Students Between			District Size - Number of Students Between		
< 500	7	22	< 500	5	14
500-999	10	22	500-999	5.8	14
1000-4999	11.5	22	1000-4999	6.3	14
5000-9999	13	22	5000-9999	6.8	14
=> 10000	13.5	22	=> 10000	7.0	14

Audit Home Page: [School Financial Audits](#) | Send comments or suggestions to schoolaudits@tea.state.tx.us

THE **TEXAS EDUCATION AGENCY**
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Disclosures

Reimbursements

Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2014

For the Twelve-Month Period
 Ended August 31, 2014

Description of Reimbursements	Superintendent Alton Frailey	Joe Adams	Rebecca Fox	Henry Dibrell	Terry Huckaby	Bill Proctor	Charles Griffin	Bryan Michalsky	Ashley Vann	Courtney Doyle
Meals	\$ 1,205	\$ 306	\$ 183	\$ 243	\$ 275	\$ 53	\$ 269	\$ 126	\$ 40	\$ -
Lodging	\$ 6,694	\$ 2,587	\$ 1,653	\$ 1,982	\$ 1,742	\$ 447	\$ 2,164	\$ 1,882	\$ 982	\$ -
Transportation	\$ 7,942	\$ 1,562	\$ 565	\$ 986	\$ 1,408	\$ 280	\$ 1,025	\$ 1,307	\$ 198	\$ -
Motor Fuel	\$ 56	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 19,142	\$ 1,429	\$ 2,088	\$ 2,074	\$ 1,599	\$ 954	\$ 2,087	\$ 2,074	\$ 350	\$ -
Total	\$ 35,040	\$ 5,883	\$ 4,489	\$ 5,284	\$ 5,023	\$ 1,734	\$ 5,544	\$ 5,388	\$ 1,570	\$ -

**Outside Compensation and Fees
Received by the Superintendent**

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services for Fiscal Year 2014

For the Twelve-Month Period
Ended August 31, 2014
Name(s) of Entity(ies)

Amount
Received
\$

Total

\$0

Gifts

Gifts Received by Executive Officers and Board Members (and First Degree Relatives, if any) for Fiscal Year 2014
(gifts that had an economic value of \$250 or more in the aggregate in the fiscal year)

For the Twelve-Month Period
 Ended August 31, 2014

	Superintendent Alton Frailey	Joe Adams	Rebecca Fox	Henry Dibrell	Terry Huckaby	Bill Proctor	Charles Griffin	Bryan Michalsky	Ashley Vann	Courtney Doyle
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Business Transactions

Business Transactions Between School District and Board Members for Fiscal Year 2014

For the Twelve-Month Period
Ended August 31, 2014

	Joe Adams	Rebecca Fox	Henry Dibrell	Terry Huckaby	Bill Proctor	Charles Griffin	Bryan Michalsky	Ashley Vann	Courtney Doyle
Amounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0