



**Mt. Pleasant Independent School District
Annual Financial Accountability
Management Report**

For the Year Ending August 31, 2017

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**Mt. Pleasant Independent
School District
Annual Financial**

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 accountability report that explains the district's performance under each of the indicators included the School FIRST rating system. The District's final rating, included in this report, was officially released on September 7, 2018.

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 will be administered by TEA and calculated on information submitted to the Agency via our PEIMS submission each year. PEIMS data has always been critical on the student side of the submission, and this project adds a great degree of importance to our finance submission each year.

The 2016-2017 worksheet consists of 15 criteria; each assigned a point value with the exception of the Critical Indicators. A "No" response in criteria #1, #2, #3 or #4 automatically result in a rating of Substandard Achievement, so these first four criteria are of utmost importance.

Currently, Mt. Pleasant ISD enjoys a rating of "***A-Superior***", scoring an 98 out of a possible 100 points on the financial accountability worksheet. The worksheet itself and a discussion of its salient points follow.

Financial Integrity Rating System of Texas

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

| Name: MOUNT PLEASANT ISD(225902) | | 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 12:27:19 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 12:27:19 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 12:27:20 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</u> | 3/28/2017 12:27:20 | Yes |

| | | | |
|---|--|-----------------------------|------------------------|
| | <u>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> | PM | |
| 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 12:27:20 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 12:27:20 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 12:27:21 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 12:27:21 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</u> | 3/28/2017 12:27:21 PM | 10 |

| | | | |
|----|---|-----------------------------|-----------------------|
| | <u>ranges below.)</u> | | |
| 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 12:27:21 PM | 10 |
| 10 | <u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u> | 5/18/2017 12:37:59 PM | 4 |
| 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 12:27:22 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 8:32:00 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 12:27:23 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 12:27:23 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 12:27:23 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) | |
| | A = Superior | 90-100 |
| | B = Above Standard | 80-89 |
| | C = Meets Standard | 60-79 |
| | F = Substandard Achievement | <60 |
| <p>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.</p> | | |

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THE [TEXAS EDUCATION AGENCY](#)

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Financial Integrity Rating System of Texas

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

| | |
|---|--|
| Name: MOUNT PLEASANT ISD(225902) | Publication Level 1: 8/6/2018 2:48:24 PM |
| Status: Passed | Publication Level 2: 8/8/2018 12:11:29 PM |
| Rating: A = Superior | Last Updated: 8/8/2018 12:11:29 PM |
| District Score: 98 | Passing Score: 60 |

| # | Indicator Description | Updated | Score |
|-----|--|-------------------------|-------|
| 1 | <u>Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</u> | 4/20/2018 9:39:44 AM | Yes |
| 2 | Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B. | | |
| 2.A | <u>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</u> | 4/20/2018 9:39:44 AM | Yes |
| 2.B | <u>Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)</u> | 4/20/2018 9:39:44 AM | Yes |

| | | | |
|---|---|-------------------------|------------------------|
| 3 | <u>Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u> | 4/20/2018 9:39:45 AM | Yes |
| 4 | <u>Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?</u> | 4/20/2018 9:39:45 AM | Yes |
| 5 | <u>Was the total unrestricted net position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero? (If the school district's change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.)</u> | 4/20/2018 9:39:45 AM | 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> | 4/20/2018 9:39:45 AM | 10 |
| 7 | <u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u> | 4/20/2018 9:39:45 AM | 10 |
| 8 | <u>Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school</u> | 4/20/2018 9:39:46 AM | 8 |

| | | | |
|----|---|-----------------------------|-----------------------|
| | <u>district's change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.) (See ranges below.)</u> | | |
| 9 | <u>Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?</u> | 4/20/2018 9:39:46 AM | 10 |
| 10 | <u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u> | 7/12/2018 7:21:23 AM | 10 |
| 11 | <u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u> | 4/20/2018 9:39:47 AM | 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> | 6/19/2018 11:29:31 AM | 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> | 4/20/2018 9:39:47 AM | 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> | 4/20/2018 9:39:47 AM | 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> | 7/2/2018 1:44:17 PM | 10 |
| | | | 98 Weighted Sum |
| | | | 1 |

| | | |
|--|--|-------------------|
| | | Multiplier Sum |
| | | 98 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) | |
| | A = Superior | 90-100 |
| | B = Above Standard | 80-89 |
| | C = Meets Standard | 60-79 |
| | F = Substandard Achievement | <60 |
| <p>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.</p> | | |

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Overview of the Worksheet

Critical Indicators

Criteria #1 through #5 are the critical indicators. Any “NO” response in this category is a signal indicator of fiscal distress. These five criteria revolve around the audit report, auditor’s findings, timely payments on debt and obligations to government agencies and unrestricted net asset value. The auditors issued an unmodified opinion on the financial report which was filed timely with the Texas Education Agency (TEA). The audit stated the district was in compliance with the payment terms of all debt agreements. As well, the district was free of any instances of material weaknesses in internal controls and was in compliance with financial reporting for local, state and federal funds. Also, the district made timely payments to all government agencies including the Teacher Retirement System, Internal Revenue Service and Texas Workforce Commission. For the 2016-2017 fiscal year, Mt. Pleasant ISD an unrestricted net asset value of \$8.2 million. Therefore, the District passed all critical indicator criteria.

Indicators 6-15

Score: 98 of 100

To receive the maximum points under indicator #6, the district must have greater than 90 days of cash and investments on hand to cover operating expenditures. The district had 210 days. A current asset to current liabilities ratio to cover short term debt of greater than 3 was required to receive ten points under indicator #7. The district’s ratio was 7.6349. On indicator #8, the district received all 10 points. The indicator asks if the ratio of long-term liabilities to total assets for the school district is sufficient to support long-term solvency. In order to receive the full ten points, the ratio had to be less than .60. MPISD’s ratio was .6265 which resulted in only eight points being awarded. The issuance of the maintenance tax note in December 2016 caused the ratio to increase. The district’s general fund revenues exceeded expenditures in indicator #9 and its number of days of cash on hand exceeded 60. Therefore, ten points were awarded. TEA awarded ten points to the district for indicator #10. This indicator asks if debt service coverage ratio is sufficient to meet the required debt service. In the previous year, the district was awarded 4 points for this indicator. A 12 page appeal was filed on August 31, 2016 to dispute the calculation based on the formula in 19 Texas Administrative Code (TAC) Section 109.1001(f) but, it was denied since awarding the points would not change the district’s rating. TEA did, however, change the formula which resulted in ten points awarded for 2016-2017. The ratio had to be greater than 1.2 and MPISD’s ratio was 4.0845. The administrative cost ratio referred to in item #11 is .0602 which is well below the maximum of .10 for districts our size. Item #12 addresses staffing patterns, specifically students to total staff. The district did not have a 15% decline in students to total staff ratio over a three year period. Indicator #13 compares the Public Education Information

Management System (PEIMS) data to like information in the school district's Annual Financial Report (AFR). The District had a total variance of .03 in all expenditures by function. As required by indicator #14, the external independent auditor reported 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. Finally, the district passed indicator #15 because it did 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. Ninety eight points were awarded overall for the district's performance on these indicators.

Chapter 109 Disclosures

II. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2017

| For the 12-month Period Ended August 31, 2016 | Superintendent | Board Member 1 | Board Member 2 | Board Member 3 | Board Member 4 | Board Member 5 | Board Member 6 | Board Member 7 |
|---|-----------------|-----------------|-----------------|----------------|-----------------|----------------|-----------------|-----------------|
| Description of Reimbursements | | | | | | | | |
| Meals | 251.11 | 54.00 | 54.00 | 0.00 | 54.00 | 0.00 | 39.00 | 54.00 |
| Lodging | 2,271.81 | 659.73 | 659.73 | 0.00 | 494.44 | 0.00 | 439.82 | 659.73 |
| Transportation | 2,051.62 | 228.93 | 168.31 | 0.00 | 147.00 | 0.00 | 147.00 | 228.93 |
| Other | 1,487.46 | 425.00 | 425.00 | 40.00 | 425.00 | 40.00 | 974.38 | 425.00 |
| | | | | | | | | |
| Total | 6,062.00 | 1,367.66 | 1,307.04 | 40.00 | 1,120.44 | 40.00 | 1,600.20 | 1,367.66 |

III. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2017

| For the 12-month Period Ended August 31, 2016 | Superintendent |
|---|----------------|
| | |
| Total | 0.00 |
| | |

IV. Gifts Received by the Superintendent and Board Members (and First Degree Relatives, if any) in Fiscal Year 2017

| For the 12-month Period Ended August 31, 2016 | Superintendent | Board Member 1 | Board Member 2 | Board Member 3 | Board Member 4 | Board Member 5 | Board Member 6 | Board Member 7 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | | | |
| Total | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

V. Business Transactions Between School District and Board Members for Fiscal Year 2017

| For the 12-month Period Ended August 31, 2016 | Superintendent | Board Member 1 | Board Member 2 | Board Member 3 | Board Member 4 | Board Member 5 | Board Member 6 | Board Member 7 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | | | |
| Total | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

VI. Other Information

Effective July 1, 2018 Winfield ISD was annexed into Mt. Pleasant ISD by order of the Commissioner of Education, Mike Morath. TEA's Division of Financial Compliance, Rita Bunton, stated that no public hearing is required regarding Winfield ISD's FIRST rating for 2016-2017. Winfield ISD did receive a rating of A-Superior for the 2016-2017 year.

VII. Summary Schedule of Data Submitted under the Financial Solvency Provisions of TEC §39.0822

General Fund - First-Quarter Expenditures by Object Code

Report 2017-2018 first-quarter (first three months of fiscal year 2017-2018) GENERAL FUND expenditures by object code using whole numbers.

| | |
|---|---------------------|
| Payroll- Expenditures for payroll costs object codes 6110-6149 | <u>\$9,397,362</u> |
| Contract Costs- Expenditures for services rendered by firms, individuals, and other organizations object code series 6200 | <u>\$1,367,341</u> |
| Supplies and Materials- Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities object code series 6300 | <u>\$ 446,412</u> |
| Other Operating- Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay object code series 6400 | <u>\$146,455</u> |
| Debt Service- Expenditures for debt service object code series 6500 | <u>\$ 1,613</u> |
| Capital Outlay- Expenditures for land, buildings, and equipment object code series 6600 | <u>\$3,937,189</u> |
| Total | <u>\$15,296,372</u> |

Additional Financial Solvency Questions

1) Districts with a September 1-August31 fiscal year:

| | | |
|---|-------|----|
| Within the last two years, did the school district | Yes | No |
| 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 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.

85% of Mean Enroll-to-

| <u>Mean Enroll-to-Teacher Ratio</u> | <u>Teacher Ratio</u> | <u>School District Size</u> |
|-------------------------------------|----------------------|-----------------------------|
| 13.0 | 13.4 | 5,000 to 9,999 |

Not applicable. Ratio not more than 15% below the norm, no rapid depletion of General Fund balances, and no significant discrepancies.

- 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? 1

Summary

The Mt. Pleasant ISD School Board, administration and the community have worked hard to maintain the financial position and condition of the District. This report demonstrates this good stewardship to all concerned.

