

**ERA INDEPENDENT SCHOOL DISTRICT**  
**FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS (FIRST)**  
**FINANCIAL MANAGEMENT REPORT**  
**FOR THE 2016-17 SCHOOL YEAR (BASED ON SY 15-16 DATA)**  
**DECEMBER 18, 2017**

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❖ **2017 DISTRICT STATUS: A = SUPERIOR (100 points out of 100 possible)**

1. Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?  
**(YES) Required reporting was done prior to December 28<sup>th</sup>. (11/17/16)**  
*This is a simple indicator. Was the Annual Financial Report filed by the deadline?*
2. Review the AFR for an unmodified opinion and material weakness. 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.
  - A. Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)  
**(YES) A clean audit was received from Freemon, Shapard & Story, CPA.**  
*Did the district receive a clean audit? A "qualification" on the financial report means that correction is needed on some of the reporting or financial controls. A district's goal, therefore, is to receive an "unqualified opinion" on its Annual Financial Report.*
  - B. 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.)  
**(YES) Freemon, Shapard & Story, CPA did not note any material weaknesses.**  
*Did the district receive a report free of notifications of any material weaknesses in their internal controls corresponding to either reporting or compliance requirements related to funding from all sources?*
3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)  
**(YES) All bond payment obligations were met in a timely manner, and there were no default disclosures noted.**  
*This indicator seeks to verify that the district has paid its bills/obligations on bonds issued to pay for school construction, etc., in a timely manner.*
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?  
**(YES) The district made timely payments to the TRS, TWC, IRS, and other relevant government agencies.**  
*This is a simple indicator. Did the district make all of these specified monthly payments in a timely manner?*

5. 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 school district's student change in membership over 5 years was 10% or more, then the school district passes this indicator.)  
**(YES) From 2011-12 (439 students) to 2014-15 (482 students), the District grew approximately only 9.79%; however, the Unrestricted Net Asset Balance (\$727,659) plus the Accretion of Interest for Capital Appreciation Bonds (\$261,066) plus Net Pension Liability (\$735,783) was \$1,724,508 > 0.**
6. Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenses (excluding facilities acquisition and construction)?  
**(YES) Cash and Equivalents (\$1,257,080) plus Current Investments (\$0) divided by Total Expenditures (\$4561,700) minus Facilities Acquisition and Construction (\$63,872) equals 102.0124 (see scale below) [ 1,257,080 / 4,497,828 = .279 \* 365 = 102.0124 ] (10 pts)**  
*Was cash flow sufficient to cover operating costs?*
- 10 points: >= 90
  - 8 points: between 75 and 90
  - 6 points: between 60 and 75
  - 4 points: between 45 and 60
  - 2 points: between 30 and 45
  - 0 points: < 30
7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?  
**(YES) Current Assets (\$2,292,114) divided by Current Liabilities (\$500,061) equals 4.5837 (see scale below) (10 pts)**
- 10 points: >= 3.00
  - 8 points: between 2.50 and 3.00
  - 6 points: between 2.00 and 2.50
  - 4 points: between 1.50 and 2.00
  - 2 points: between 1.00 and 1.50
  - 0 points: < 1.00
8. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator).  
**(YES) From 2011-12 (439 students) to 2015-16 (482 students), the District grew approximately 9.79%; however, Long Term Liabilities (\$1,803,437) minus Net Pension Liability (\$735,783) divided by Total Assets (\$7,018,972) equals 0.1521 (see scale below) (10 pts)**
- 10 points: <= 0.60
  - 8 points: between 0.60 and 0.70
  - 6 points: between 0.70 and 0.80
  - 4 points: between 0.80 and 0.90
  - 2 points: between 0.90 and 1.00
  - 0 points: > 1.00
9. Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?  
**(YES) Total Revenue (\$4,410,061) divided by Total Expenditures (\$4,561,700) minus Facilities Acquisition and Construction (\$63,872) minus 1 equals -0.0195; however, Cash and Equivalents (\$1,257,080) plus Current Investments (\$0) divided by Total Expenditures (\$4,561,700) minus Facilities Acquisition and Construction (\$63,872) times 365 days equals 102.0124, which is greater than 60 days (10 pts)**

10. Was the debt service coverage ratio sufficient to meet the required debt service?  
**(YES) Total Revenues (\$4,620,392) minus Total Expenditures (\$4,770,710) plus Debt Service (function codes 71, 72 & 73) (\$209,010), plus Fund Code 599 (Debt Service fund balance) (\$374,552) plus Function Code 81 (\$63,872) all divided by Debt Service (function codes 71, 72 & 73) (\$209,010) equals 2.3784 (see scale below) (10 pts)**
- 10 points: >= 1.20
  - 8 points: between 1.15 and 1.20
  - 6 points: between 1.10 and 1.15
  - 4 points: between 1.05 and 1.10
  - 2 points: between 1.00 and 1.05
  - 0 points: < 1.00
11. Was the school district's administrative cost ratio equal to or less than the threshold ratio (See ranges below for districts with less than 500 ADA)?  
**(YES) EISD Administrative Cost Ratio = 0.1475, with ADA of 448. (10 pts)**  
*Did the District avoid being "top-heavy"? TEA and State Law sets a cap on the percentage of their budget that Texas school districts can spend on administration. Did the district exceed the cap for districts of its size?*
- 10 points: <= 0.2404
  - 8 points: between 0.2404 and 0.2654
  - 6 points: between 0.2654 and 0.2904
  - 4 points: between 0.2904 and 0.3154
  - 2 points: between 0.3154 and 0.3404
  - 0 points: >.3404
12. Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator).  
**(YES) The 2013-14 Total Enrollment was 450 with a Staff FTE of 62.5922 resulting in a ratio of 7.1894. The 2015-16 Total Enrollment was 483 with a Staff FTE of 63.205 resulting in a ratio of 7.6418. The ratio increased by 6.29% (as opposed to being a greater than 15% decrease). Further, the district total enrollment increased by 33 in the same period.**
13. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?  
**(YES) There was only a 0.00011% variance. [5 differences / 4,561,697 denominator] (10 pts)**  
*This indicator measures the quality of data reported to PEIMS and in the Annual Financial Report to make certain that the data reported in each case "matches up." If the difference in numbers reported in any fund type is more than 3%, the district "fails" this measure.*
14. Did the external independent auditor report that 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.)  
**(YES) No instances of material noncompliance were reported. (10 pts)**
15. 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?  
**(YES) The district did not receive an adjusted FSP repayment schedule for any reason. (10 pts)**

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>A = Superior</b>	<b>B = Above Standard</b>	<b>C = Meets Standard</b>	<b>F = Substandard Achievement</b>
70-100	50-69	31-49	< 31

