

PUBLIC HEARING

Report from the Superintendent of Schools
Board Meeting of December 7, 2020

NO ACTION REQUIRED



**SUBJECT: PUBLIC HEARING ON THE FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS
(FIRST REPORT 2019)**

The State Financial accountability rating system, School FIRST (Financial Integrity Rating System of Texas) was developed in response to SB 875 passed by the 76th State Legislature in 1999. Changes in the Commissioner's Rule for School FIRST were finalized in August 2018. The most substantive change in the School FIRST system implemented by the Texas Education Agency in 2018 will be implemented beginning with ratings year 2020-21 based on data from fiscal year 2029.

The FIRST rating ensures that Texas Public Schools are held accountable for the quality of their financial management.

The FIRST rating system has converted to an alpha letter grade standard.

- A – Superior Achievement Score of 70 – 100
- B – Above Standard Achievement Score of 50 – 69
- C – Standard Achievement Score of 31 – 49
- F – Substandard Achievement Score of 1 – 30

Indicators are grouped into three categories:

- Critical Indicators 5 indicators Yes/No
- Solvency Indicators 7 indicators Maximum 10 points each
- Financial Competence Indicators 3 indicators Maximum 10 points each

The 2019-20 rating is based on 2018-19 financial data. The District achieved a Superior Achievement rating with a score of 100. Attached is a list of the criteria and a score for the District Disclosure requirements on the Superintendent's contract and summary schedules on additional reporting requirements are also attached.

The District received a Perfect Score and a Superior Rating.



Pharr-San Juan-Alamo ISD
Public Hearing School FIRST
December 7, 2020



FIRST Table of Contents

- FIRST Objectives**
- FIRST Goals**
- How Ratings are Assessed**
- Determination of Rating**
- School FIRST Indicators**



FIRST Objectives

- Implement a rating system that fairly and equitably evaluates the quality of management decisions
- Provide an analysis tool for assessment
- Assess the quality of financial management
- Publicly report this assessment
- Financial data reported from the following sources:
 - Audited annual financial report (August 31, 2019)
 - Public Education Information Management System (PEIMS – Student and Staff Fall of 2019 and Budget Fall of 2019)



FIRST Goals

- Strengthen fiscal accountability**
- Improve performance in the management of district finances**
- Facilitate effective and efficient use of resources**



How Ratings are Assessed

- Based upon 15 indicators
- Failure to pass any of the **CRITICAL** indicators will result in an automatic failing grade
 - Annual Financial Report not filed within one month after November 27th or January 28th deadline
 - Unmodified Opinion and no Material Weakness on Audit
 - No Default on Debt payments
 - No Default on Payroll-related payments
 - Does not have a deficit in Net Position balance (not being scored)



Determination of Rating 2019-2020 (2018-2019 Data)

A.	Did the district answer 'No' to Indicators 1, 3, 4, 5, OR 2.A? If so, The District 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 = Meet Standard	60-79
	F = Substandard Achievement	< 60



School FIRST Indicators

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**

- 2A. 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**

- 2B. 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**



School FIRST Indicators

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**

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**



School FIRST Indicators

5. 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 student in membership over 5 years was 10 percent or more, then the school district passes indicator.) *This indicator not being scored*
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 expenditures (excluding facilities acquisition and construction)? » *10 Points*

PSJA ISD's number of days of cash on hand was 114.195, which was sufficient to cover its operating expenditures.



School FIRST Indicators

7. Was the measure of current assets to liabilities ratio for the school district sufficient to cover short-term debt? » **10 Points**
PSJA ISD's current assets to current liabilities ratio of 3.6347 exceeded the target amount of 3.00 to cover its short-term debt.
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 7 percent or more, then the school district passes this indicator). » **10 Points**
PSJA ISD's long-term liabilities to total assets ratio of 38.97% was sufficient to support long-term solvency.



School FIRST Indicators

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? » *10 Points*

PSJA ISD's expenditures did not exceed General Fund revenues.

10. Was the debt service coverage ratio sufficient to meet the required debt service? » *10 Points*

PSJA ISD's debt service coverage ratio of 2.2515 exceeded the required debt service ratio of 1.20.



School FIRST Indicators

11. Was the school district's administrative cost ratio equal to or less than the threshold ratio? » **10 Points**

PSJA ISD's cost ratio of 7.36% was less than the threshold ratio of 8.55%.

12. Did 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.) » **10 Points**

PSJA ISD did not have a decline in students from 2017-2018 to 2018-2019.



School FIRST Indicators

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? » *10 Points*

PSJA ISD had a 0% variance in data reported to PEIMS as compared to the Comprehensive Annual Financial Report.

14. 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.) » *10 Points*

No material noncompliance was reported in the Annual Financial Report.



School FIRST Indicators

15. Did 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 result of a financial hardship? » **10 Points**

PSJA ISD did not have an adjusted repayment schedule.



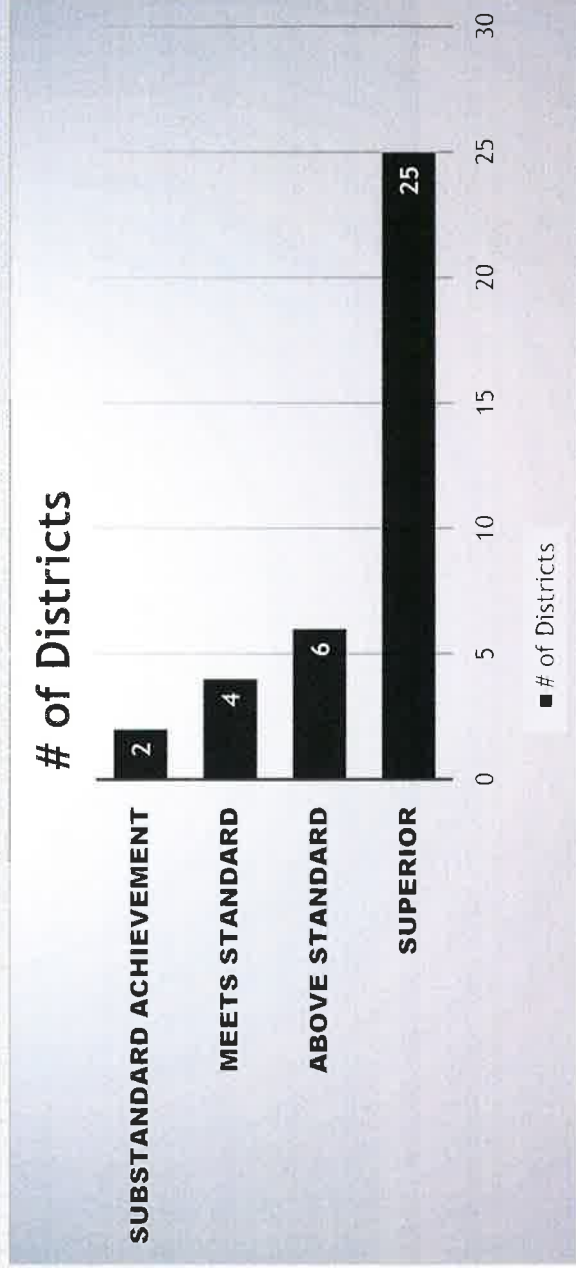
Pharr-San Juan-Alamo ISD Rating for 2019-2020 (2018-2019 Data)

**“A” for Superior
and a perfect score of 100**





Region One 2019-2020 Ratings (2018-2019 Data)



PSJA ISD was one of 12 districts in Region One that had a perfect score.



State compared to Region One 2019-2020 Ratings (2018-2019 Data)



PSJA ISD was one of 12 districts in Region One that had a perfect score.



New Solvency Indicators 2020-2021



- Indicator 6: 3 Year Change in Fund Balances**
 - Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's fund balances exceed 75 days of operational expenditures?
 - If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B= Above Standard Achievement.
- Indicator 10: Budgeted to Actual Revenues 3 Year Comparison**
 - Did the school district average less than a 10 percent variance (90%-110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years? *Worth 0 or 10 points*
- Indicator 12: Debt Per \$100 of Assessed Property Value**
 - Was the debt per \$100 of assessed property value ratio sufficient to support future debt payments? *Range of 0 to 10 points on a sliding scale.*



New

Financial Competency Indicators 2020-2021



Indicator 15: Enrollment Variance Ratio

- Was the school district's actual average daily attendance (ADA) within the allotted range of the district's biennial pupil projection submitted to TEA?
- If the school district did not certify the school district's biennial pupil projections, even if the school district failed to submit its biennial pupil projections to the TEA, the school district will automatically fail this indicator.
Worth 0 or 5 points

Indicator 17: Material Weaknesses in Internal Controls Over Financial Reporting and Compliance

- 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?
- If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.



New

Financial Competency Indicators 2020-2021



Indicator 19: Required Financial Publications

- Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules?
 - For example: adopted budget, budget for two prior years, the superintendent's contract, annual financial reports, and other required postings? *Worth 0 or 5 points*

Indicator 20: Board Discussion of Property Values

- Did the school board members discuss the district's property values and the funding lag at a board meeting that takes place within 120 days of the district adopting its budget?
- If the school district fails indicator 20, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.

**Texas Administrative Code
Chapter 109 Disclosures
are located in the Annual Financial
Accountability Management Report**



COLLEGE³
READY.CONNECTED.COMPLETE.™

**PUBLIC HEARING FOR THE
SCHOOL FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS
(SCHOOL FIRST)**

2019-2020

Appreciation to:

Dr. Jorge Arredondo, Superintendent

BOARD MEMBERS

Jorge L. Zambrano, President

Jesus "Jesse" Vela, Jr., Vice President

Jorge "George" Palacios, Secretary-Treasurer

Cynthia A. Gutiérrez Asst. Secretary-Treasurer

Ricardo "Rick" Pedraza, Member

Carlos G. Villegas, Jr., Member

Jesus A. "Jesse" Zambrano, Member

