



SOUTH SAN ANTONIO INDEPENDENT SCHOOL DISTRICT

Agenda Item Summary

Meeting Date: December 16, 2020

Purpose: [X] Presentation/Report [] Recognition [] Discussion/ Possible Action

[] Closed/Executive Session [] Work Session [] Discussion Only [] Consent

From: Jeff Baum, Deputy Superintendent

Item Title: Public Hearing to Discuss the 2020 FIRST Rating

Description: A Public Hearing regarding the Financial Integrity Rating System of Texas will be held in order to give the Board and public an opportunity to receive information regarding the District's Financial Accountability Rating.

Historical Data: The state's school financial accountability rating system, known as the School Financial Integrity Rating System of Texas (FIRST), ensures that Texas public schools are held accountable for the quality of their financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes.

Recommendation: N/A

District Goal/Strategy:

Strategy 1 We will engage all school community members through transparency and effective communication to promote a positive perception and create a strong brand.

APPROVED BY:

SIGNATURE

DATE

Chief Officer:

CFO Funding Approval:

Superintendent:



Financial Integrity Rating System of Texas

2019-2020



Purpose of Financial Accountability Rating System

The primary goal of Schools FIRST is to improve the management of school district's financial resources.

Although the rating comes in the current school-year, it is based upon an analysis of staff and student data reported for the 2018-2019 school-year, and budgetary and actual financial data for the fiscal year ended August 31, 2019.

Ensures that districts will be:

- Held accountable for the quality of their financial management practices and
- Achieve improved performance in the management of their financial resources

Financial Management Rating

2018-2019 Rating	2019-2020 Rating
Name: South San Antonio ISD Status: Passed Rating: A = Superior District Score: 94	Name: South San Antonio ISD Status: Passed Rating: A = Superior District Score: 92

Determination of Rating

2018-2019 Rating	2019-2020 Rating
A: Superior (90-100) *94 B: Above Standard (80-89) C: Meets Standard (60-79) F: Substandard Achievement (<60)	A: Superior (90-100) *92 B: Above Standard (80-89) C: Meets Standard (60-79) F: Substandard Achievement (<60)

Indicator 1 (Timely Filed Audit)

Indicator Description	18-19	19-20
<p>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?</p> <p><i>Response: South San Antonio ISD's Annual Financial Report for fiscal year ended August 31, 2019 was filed with the Texas Education Agency before the deadline.</i></p>	Yes	Yes

Indicator 2A (No Modified Opinion)

Indicator Description	18-19	19-20
<p>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.</p>		
<p>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) define unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</p> <p><i>Response: Yes, the opinion expressed by our independent auditors on the August 31, 2019 audit report was an Unmodified Opinion.</i></p> <p><i>A “qualification” on the financial report means that the District needs to correct some of the reporting data or financial controls. A District’s goal, therefore, is to receive an “unmodified” or “unqualified opinion” on its Annual Financial report.</i></p>	<p>Yes</p>	<p>Yes</p>

Indicator 2B (Absence of Material Weakness)

Indicator Description	18-19	19-20
<p>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.)</p> <p><i>Response: Yes, our independent auditors reported that the August 31, 2019 AFR was free of any instance(s) of material weakness in internal controls.</i></p>	Yes	Yes

Indicator 3 (Met all Debt Obligations)

Indicator Description	18-19	19-20
<p>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.)</p> <p><i>Response: South San Antonio ISD had no instance of default on bonded indebtedness obligations for fiscal year ending 2019.</i></p> <p><i>This indicator seeks compliance with laws, rules, and regulations.</i></p>	Yes	Yes

Indicator 4 (Timely Payment of Monies Withheld)

Indicator Description	18-19	19-20
<p data-bbox="92 602 1734 808">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?</p> <p data-bbox="92 841 1734 946"><i>Response: South San Antonio ISD made timely payments to government agencies for the fiscal year ending 2019.</i></p> <p data-bbox="92 979 1734 1084"><i>This indicator will be considered PASSED if the district made timely payments to the TRS, TWC, IRS, and other governmental agencies.</i></p>	Yes	Yes

Indicator 5 (Unused)

Indicator Description	18-19	19-20
This indicator is not scored.	Yes	N/A

Indicator 6 (Cash on Hand)

Indicator Description	18-19	19-20
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)? <i>Response: South San Antonio ISD's number of days of cash on hand is 183.85 days for fiscal year ended 2019, an increase of 10 days over the prior year.</i> <i>**This indicator focuses on the solvency of the entity by calculating days cash on hand and assigns points based on greater than or equal to 90 days being worth 10 points.</i>	10	10

Indicator 7 (Ability to cover Short-Term Debt)

Indicator Description	18-19	19-20
<p>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?</p> <p><i>Response: South San Antonio ISD's measure of current assets to current liabilities ratio was 2.4791 for the 2019-2020 rating period.</i></p> <p><i>**This indicator is a standard ratio used in commercial lending that calculates the district's current ratio and assigns points based on greater than or equal to 3 being worth 10 points.</i></p> <p><i>** The largest contributor to current assets is cash on hand, while the greatest contributor to current liabilities are payment that are due inside of one year.</i></p>	8	6

Indicator 8 (Long-Term Solvency)

Indicator Description	18-19	19-20
<p>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.)</p> <p><i>Response: South San Antonio ISD's ratio of long-term liabilities to total assets was 0.7538 for the 2019-2020 rating period.</i></p> <p><i>**This indicator calculates the district's ratio of long-term liabilities to total assets and assigns points based on less than or equal to 0.60 being worth 10 points.</i></p> <p><i>** Total assets include the value of all of our assets (current assets and capital assets), while long term liabilities are those that are due more than one year out.</i></p>	6	6

Indicator 9 (Revenue over Non-Cap Expenditures)

Indicator Description	18-19	19-20
<p>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?</p> <p><i>Response: South San Antonio ISD’s ratio for the 2019-2020 rating period was 6.12%.</i></p> <p><i>**This indicator seeks to prove that general fund revenue equal or exceed expenditures and assigns points based on greater or equal to 0.00% being worth 10 points.</i></p> <p><i>***If expenditures exceed revenue (non-acquisition and non-construction), the number of days of cash reserves becomes the tested element.</i></p>	<p>10</p>	<p>10</p>

Indicator 10 (Debt Ratio)

Indicator Description	18-19	19-20
Was the debt service coverage ratio sufficient to meet the required debt service? <i>Response: South San Antonio ISD's ratio for the 2019-2020 rating period was 1.517.</i> <i>**This indicator calculates the debt service coverage ratio and assigns points based on greater or equal to 1.20 being worth 10 points.</i>	10	10

Indicator 11 (Administrative Cost Ratio)

Indicator Description	18-19	19-20
<p>Was the school district's administrative cost ratio equal to or less than the threshold ratio?</p> <p><i>Response: South San Antonio ISD's administrative cost ratio was .0663 for the 2019-2020 rating period.</i></p> <p><i>**TEA and state law sets a cap on the percentage of their budget that Texas school districts can spend on administration based on district size. For districts in South San Antonio ISD's category, the administrative cost ratio should fall below 10.00 to be awarded the 10 points.</i></p>	10	10

Indicator 12 (Student and Staff Trend)

Indicator Description	18-19	19-20
<p>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.)</p> <p><i>Response: South San Antonio ISD had a 9.6% decline in students to staff ratio over 3 years.</i></p> <p><i>**This indicator calculates the student to staff ratio over 3 year period and assigns 10 points if district has less than 15% decline.</i></p>	10	10

Indicator 13 (PEIMS Accuracy)

Indicator Description	17-18	18-19
<p data-bbox="65 605 1707 808">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?</p> <p data-bbox="65 841 1707 946"><i>Response: South San Antonio ISD's data quality measure was 0.091% for the 2019-2020 rating period; far below the allowable three percent variation.</i></p> <p data-bbox="65 979 1707 1206"><i>**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 funds type is more than three percent, the district fails this measure and receives zero points.</i></p>	10	10

Indicator 14 (Grant Compliance)

Indicator Description	18-19	19-20
<p>Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contract, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)</p> <p><i>Response: South San Antonio ISD's external auditors indicated the AFR was free of material non-compliance for the period covered by the 2019-2020 rating year.</i></p> <p><i>**This indicator covers material noncompliance in local, state, and federal funds in the AFR and awards points based on free of any instances being worth 10 points.</i></p>	10	10

Indicator 15 (Adherence to Repayment Schedule)

Indicator Description	18-19	19-20
<p>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?</p> <p><i>Response: South San Antonio ISD did not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship during the 2019-2020 rating period.</i></p> <p><i>**This indicator identifies school districts that cannot repay FSP funds without requesting an adjustment to their current repayment plan of FSP funds with the TEA and awards 10 points for not receiving an adjusted repayment schedule.</i></p>	<p>10</p>	<p>10</p>
	<p>Total Score 94</p>	<p>Total Score 92</p>



Questions



**TEA 2018-2019
Rating:
"A" Superior**

**Financial Integrity Rating System of Texas
Based on Data from Fiscal Year Ending August 31, 2019**

#	Indicator Description	2017-2018		2018-2019	
		Yes/No	Score	Yes/No	Score
1	Was the Annual Audit timely filed (within 30 days of audit completion)?	Yes	N/A	Yes	N/A
2A.	Was there an unmodified opinion in the AFR on the financial statements?	Yes	N/A	Yes	N/A
2B.	Did the auditor report that the AFR was free of material weaknesses?	Yes	N/A	Yes	N/A
3	Was the District in compliance with the payment terms of all debt agreements?	Yes	N/A	Yes	N/A
4	Did the District make timely payments to all governmental agencies as it related to employee withholding? (IRS, TRS, TWC, etc.)	Yes	N/A	Yes	N/A
5	Not Used	N/A	N/A	N/A	N/A
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)?	Yes	10	Yes	10
7	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	Yes	8	Yes	6
8	Was the ratio of long-term liabilities to total assets for the District sufficient to support long-term solvency?	Yes	6	Yes	6
9	Did the 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	10	Yes	10
10	Was the debt service coverage ratio sufficient to meet the debt service?	Yes	10	Yes	10
11	Was the administrative cost ratio equal to or less than the threshold ratio?	Yes	10	Yes	10
12	Did the District not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)?	Yes	10	Yes	10
13	Did the comparison of PEIMS data to like information in the school district's AFR result in a total variance of less than 3 percent?	Yes	10	Yes	10
14	Did the auditor indicate the AFR was free of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes	10	Yes	10
15	Did the District not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of FSP funds due to financial hardship?	Yes	10	Yes	10
Total Score			94		92

Determination of rating:

- A. Rating Criteria: Passing score = 60 or more and "yes" to indicators 1, 2A, 3, and 4.
- B. A = Superior: Score of 90-100
- B = Above Standard: Score of 80-89
- C = Meets Standard: Score of 60-79
- F = Substandard Achievement: Score < 60

NOTE:

 2019-2020
 Rating based on
 2018-2019 data.