

Edinburg Consolidated Independent School District

**School FIRST Ratings
Based on 2015-2016 School Year**



**Public Hearing
December 12, 2017**

FIRST Requirements

Prepare and distribute an Annual Financial Accountability Management Report that must include the following:

- ▶ The districts' financial management performance rating provided by the Texas Education Agency based on its comparison with indicators established by the Commissioner of Education for the state's new Financial Accountability System.
- ▶ The districts' financial management performance under each indicator for the current and previous years' financial accountability ratings.

FIRST Requirements

Certain required disclosures in accordance with Title 19, Texas Administrative Code Chapter 109

- A. A copy of the Superintendent's current employment contract.
- B. A summary schedule of the reimbursements received by the Superintendent and each board member for the fiscal year.
- C. A summary schedule for the fiscal year of the dollar amount of outside compensation and/or fees received by the superintendent.
- D. A summary schedule of the total dollar amount of gifts received by executive officer(s) and board members of gifts that had an economic value of \$ 250 or more in the aggregate in the fiscal year.
- E. A summary schedule for the fiscal year of the total dollar amount by board members for the aggregate amount of business transactions with the school district.

School FIRST Rating System

Background:

- ▶ Senate Bill 218 of the 77th Legislature (2001) authorized the implementation of a financial accountability rating system referred to as **School FIRST**.

School FIRST Rating System

Purpose of Financial Integrity Rating System of Texas:

- ▶ Ensures that school districts will be held accountable for the quality of their financial management practices
- ▶ Achieve improved performance in the management of their financial resources

School FIRST Rating System

- ▶ Major changes to the School FIRST system were implemented by the Texas Education Agency in August 2015 that combined financial indicators with financial solvency indicators, in accordance with House Bill 5, 83rd Texas Legislature, and Regular Session 2013.
- ▶ These major changes amended Section 39.082 Texas Education Code to require the commissioner of education to include processes in the financial accountability rating system for anticipating the future financial solvency of each school district and open-enrollment charter school.

School FIRST Rating System

- ▶ The changes to the School FIRST system implemented by the Texas Education Agency in August 2015 are being phased-in over three years. During the phase-in period, the new School FIRST system has separate worksheets for rating years 2014-2015, 2015-2016, and 2016-2017 and subsequent years.
- ▶ The worksheet for rating year 2014-2015 contains only 7 indicators and the worksheets for rating years 2015-2016 and 2016-2017 contain 15 indicators.
- ▶ The worksheet for rating year 2016-2017 requires higher scores for select ratings compared to the worksheet for rating year 2015-2016.
- ▶ The ratings and indicators for the first year is different than following years to allow a transition year.

School FIRST Rating System

- ▶ The schools FIRST accountability rating system assigns one of the four financial accountability ratings listed below, to Texas School Districts based upon the responses to the indicators developed by the Texas Education Agency.
 - A. for Superior Achievement
 - B. for Above-Standard Achievement
 - C. for Standard Achievement
 - D. for Substandard Achievement

- ▶ Districts that receive the Substandard Achievement must file a corrective action plan with the Texas Education Agency. This rating could also result in the assignment of a financial monitor or master.

School FIRST Rating System

- ▶ Rating for the transition 2015-2016 rating year is determined by fifteen defined indicators, each weighed equally, except for the first five critical indicators.
- ▶ A negative response to any of the first five critical indicators results in the district receiving a rating of “**Substandard Achievement**”

School FIRST Rating System

The Edinburg Consolidated Independent School District has received a rating of:

“SUPERIOR ACHIEVEMENT”

under the Texas Schools FIRST financial accountability rating system. The “Superior Achievement” rating is the state’s highest, demonstrating the quality of Edinburg CISD’s financial management and reporting system.

Edinburg CISD was one of the 7 school districts in the Region One area that received a perfect score of 100 on their Schools FIRST rating for the fiscal year 2015-2016.

Prior to the 2014-2015 rating year, the Schools FIRST accountability rating assigned one of four financial accountability ratings to Texas school districts with the highest being “A” for “Superior Achievement” followed by “B” for “Above Standard Achievement”, “C” for “Standard Achievement” and “F” for “Substandard Achievement”.

Edinburg CISD achieved the rating of “**Superior Achievement**” for the 2016-2017 rating year and fourteen prior years.

School FIRST - Indicator #1

Was the complete Annual Financial Report (AFR) and data submitted to the Texas Education Agency 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.

YES, Our Annual Financial Report for the fiscal year August 31, 2016, was filed with the Texas Education Agency before the deadline of January 28, 2017.

	FY 2015-2016
Result	Yes

School FIRST - Indicator #2

Review the Annual Financial Report (AFR) for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator 2 if it responds “No” to indicator 2.A or to both indicators 2.A and 2.B.

School FIRST - Indicator #2.A

Was there an Unmodified Opinion in the Annual Financial Report on the financial statements as a whole? (The American Institute of Certified Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)

YES, the opinion expressed by our independent auditors on the August 31, 2016 and August 31, 2015 Annual Financial Report was an unmodified opinion.

A “modified” version of the auditor’s opinion on our annual financial report would have meant that corrections were needed in some of our reporting or financial controls. A district’s goal, therefore, is to receive an “unmodified opinion” on its Annual Financial Report.

	FY 2015-2016
Result	Yes

School FIRST - Indicator #2.B

Did the external independent auditor report that the Annual Financial Report was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The American Institute of Certified Public Accountants defines material weakness.)

YES, Edinburg CISD had no material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds reported in our 2015-2016 and 2014-2015 audit reports.

Internal control weaknesses create a risk that a district would not be able to properly account for its use of public funds, and should be immediately addressed. A clean audit of the annual financial report would state if the school district has no material weaknesses in internal controls.

	FY 2015-2016
Result	Yes

School FIRST - Indicator #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, Edinburg CISD was in compliance with the payment terms of all debt agreements for fiscal year ended August 31, 2016.

	FY 2015-2016
Result	Yes

School FIRST - Indicator #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, Edinburg CISD made timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies for fiscal year ended August 31, 2016.

	FY 2015-2016
Result	Yes

School FIRST - Indicator #5

Was the total Unrestricted Net Asset Balance (Net of Accretion of Interest for Capital Appreciation Bonds) in the Government Articles column in the Statement of Net Assets greater than zero? (If the school district's change of students in membership over five years was 10 percent or more then the school district passes this indicator.)

YES, Edinburg CISD's total unrestricted net assets balance in the Government Activities in the Statement of Net Assets is greater than zero. The net asset balance for the fiscal year ended August 31, 2016 is \$122,231,754.

	FY 2015-2016
Result	Yes

School FIRST - Indicator #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, Edinburg CISD had 90.12 days of cash on hand and current investments in the general fund to cover operating expenditures (excluding facilities acquisition and construction).

	FY 2015-2016
Result	10

School FIRST - Indicator #7

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

YES, Edinburg CISD's ratio of current assets to current liabilities for the fiscal year ended August 31, 2016 was 3.65.

	FY 2015-2016
Result	10

School FIRST - Indicator #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 of more, then the school district passes this indicator.)

YES, Edinburg CISD's ratio of long-term liabilities to total assets for the fiscal year ended August 31, 2016 was 17.15.

	FY 2015-2016
Result	10

School FIRST - Indicator #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 equal to 60 days?

YES, Edinburg CISD's general fund revenues exceeded expenditure (excluding facilities acquisition and construction) by \$22,451,659 and district's number of days of cash was 90.12 for the fiscal year ended August 31, 2016.

	FY 2015-2016
Result	10

School FIRST - Indicator #10

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

YES, Edinburg CISD's debt service coverage ratio for fiscal year ended August 31, 2016 was 2.0832 sufficient to meet the required debt service.

	FY 2015-2016
Result	10

School FIRST - Indicator #11

Was the school district's Administrative Cost Ratio equal to or less than the threshold ratio?

Yes, Edinburg CISD's ratio for the 2015-2016 school year was 5.05 percent, well below the state cap.

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 the Edinburg CISD's category, the administrative cost ratio should fall below 8.55 percent.

	FY 2015-2016
Result	10

School FIRST - Indicator #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, Edinburg CISD did not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff) and the student enrollment increased by 466 from 2014-2015 to 2015-2016.

	FY 2015-2016
Result	10

School FIRST - Indicator #13

Did the comparison of Public Education Information Management System (PEIMS) data to like information in the Annual Financial Report result in a total variance of less than 3 percent of all expenditures by function (Data Quality Measure)?

Yes, Edinburg CISD's data quality measure was 0 for fiscal year ended August 31, 2016 far below the allowable 3 percent variation.

	FY 2015-2016
Result	10

School FIRST - Indicator #14

Did the external independent auditor indicate that the Annual Financial Report was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The American Institute of Certified Public Accountants defines material noncompliance)

Yes, Edinburg CISD had no material noncompliance for grants, contracts, and laws related to local, state, or federal funds.

Any internal weaknesses create a risk that a district would not be able to properly account for its use of public funds, and should be immediately addressed. A clean audit of the annual financial report would state that the school district has no material weaknesses in internal controls.

	FY 2015-2016
Result	10

School FIRST - Indicator #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 report.

No, Edinburg CISD 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.

	FY 2015-2016
Result	10

Texas Administrative Code Chapter 109 Disclosures

Disclosure A

Copy of Superintendent's Current Employment Contract:

A copy of the superintendent's current employment contract at the time of the School FIRST hearing is to be in the publication in the annual School FIRST financial management report.

Copy of Superintendent's Current Employment Contract is included in the handout.

Texas Administrative Code
Chapter 109 Required Disclosures
Disclosure B

Reimbursements Received by the Superintendent and Board Members for the Twelve-Month Ended August 31, 2016.

Summary Schedule for the fiscal year ended August 31, 2016 of total reimbursements received by the superintendent and each board member. The summary schedule reports reimbursements for meals, lodging, transportation, motor fuel, and other items separately. It does not include reimbursements for supplies and materials that were purchased for the operation of the school district.

Disclosure B

The summary schedule reports reimbursements for meals, lodging, transportation, motor fuel, and other items separately. It does not include reimbursements for supplies and materials that were purchased for the operation of the school district.

Board Member's Reimbursements

<u>Name</u>	<u>Meals</u>	<u>Lodging</u>	<u>Transportation</u>	<u>Motor Fuel</u>	<u>Other - Dues and Registration Fees</u>	<u>Total</u>
Carmen Gonzalez	\$ -	\$ 1,220.87	\$ 458.07	\$ -	\$ 1,176.43	\$ 2,855.37
Juan "Sonny" Palacios, Jr.	-	2,703.45	679.57	-	1,551.43	4,934.45
Robert Peña, Jr.	-	3,956.27	2,685.76	-	1,991.43	8,633.46
Oscar Salinas	-	1,026.65	653.77	-	1,391.43	3,071.85
Xavier Salinas	-	2,023.72	1,094.77	-	1,991.42	5,109.91
Ellie Torres	(55.00)	1,807.56	1,465.37	-	1,591.43	4,809.36
Former Board Members						
Jaime R. Solis	11.00	2,503.88	327.46	-	1,166.43	4,008.77
Totals	\$ (44.00)	\$ 15,242.40	\$ 7,364.77	\$ -	\$ 10,860.00	\$ 33,423.17

Superintendent's Reimbursements

<u>Name</u>	<u>Meals</u>	<u>Lodging</u>	<u>Transportation</u>	<u>Motor Fuel</u>	<u>Other - Dues and Registration Fees</u>	<u>Total</u>
Superintendent, Dr. Réne Gutiérrez	\$ -	\$ 2,058.61	\$ 1,646.36	\$ -	\$ 1,095.00	\$ 4,799.97
Totals	\$ -	\$ 2,058.61	\$ 1,646.36	\$ -	\$ 1,095.00	\$ 4,799.97

Texas Administrative Code
Chapter 109 Disclosures
Disclosure C

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2016.

Summary Schedule for the fiscal year ended August 31, 2016 of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services. Compensation does not include business revenues generated from family business (farming, ranching, etc.) that has no relation to district business.

No Amounts Reported

Texas Administrative Code

Chapter 109 Disclosures

Disclosure D

Gifts Received by the Executive Officer (s) and Board Members
in Fiscal Year 2016

A Summary Schedule for the fiscal year ended August 31, 2016 of the dollar amount of gifts that had an economic value of \$ 250 or more in the aggregate in the fiscal year. This reporting requirement only applies to gifts received by the executive officers and board members (and their immediate family). This reporting requirement excludes an individual gift or a series of gifts from a single outside entity that had an aggregate economic value of less than \$250 per executive officer or board member.

No Amounts Reported

Texas Administrative Code
Chapter 109 Disclosures
Disclosure E

Business transactions between School District and Board Members for the fiscal year ended August 31, 2016

A summary Schedule for the fiscal year ended August 31, 2016 of the dollar amount received by board members for the aggregate amount of business transactions with the school district. This reporting requirement is not duplicate the items disclosed in the summary of schedule of reimbursements received by board members.

No Amounts Reported

Edinburg Consolidated Independent School District

School First Ratings

QUESTIONS & ANSWERS



Non-discrimination Statement

It is the policy of Edinburg CISD not to discriminate on the basis of sex, age, handicap, religion, race, color, or national origin in its educational programs.
Es póliza del Distrito Escolar de Edinburg el no discriminar por razones con base en sexo, edad, discapacidad, religión, raza, color, ni origen nacional dentro de sus programas educacionales.