



2019-2020

# School FIRST

Financial Integrity Rating System Texas

# Public Hearing

2020

November 16

Source: Senate Bill 218 – 77<sup>th</sup> Texas Legislature

VOL. 04

# INSIDE CARROLL



CATE HALL  
CISD BOND BUILDER

EXCELLENCE • RELATIONSHIPS • CHARACTER & INTEGRITY • INNOVATION  
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# What is School **FIRST** and What is its Purpose?



School FIRST is a state financial accountability rating system which holds school districts accountable for the quality of their **financial management practices** and that they improve those practices.

School FIRST is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for **direct instructional purposes**.

# School FIRST

## FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS



**GOAL :** To provide additional transparency to tax payers, board members and other stakeholders which supports meaningful financial oversight and improvement for school districts



### CRITERIA :

- 2019/2020 rating is based on 2018/2019 financial data
- 15 total indicators (5 critical/10 measureable)
- 5 - critical indicators are pass/fail
- 10 – indicators are measured on a 10 point scale

# School FIRST – CATEGORIES

## FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS



**CRITICAL  
INDICATORS**

**1-5**

**SOLVENCY  
INDICATORS**

**6-12**

**COMPETENCE  
INDICATORS**

**13-15**

# SUMMARY OF CARROLL ISD SCORES



CRITICAL INDICATORS	
Indicator	Pass / Fail
Timely Filing of Audit	Pass
Auditor's Opinion	Pass
Debt Covenants	Pass
Timely Payments - IRS	Pass
Unrestricted Net Position	Not Scored

SOLVENCY INDICATORS	
Indicator	Pass / Fail
Days Cash on Hand	10
Measure Liquidity	10
Measure Leverage	06
Revenue $\geq$ Expenditure	10
Ability to Pay Debt & Interest	10
Measure % Budget Spent of Administration	10
Measure % Student to Staff ratio	10

COMPETENCE INDICATORS	
Indicator	Pass / Fail
Measure Quality of Financial Data Reported	10
Measure Material Non-Compliance	10
No Adjusted Repayment Schedule	10

**Total Score: 96**  
**Rating: A (Superior)**

# SUMMARY OF STATEWIDE – RESULTS



## DISTRICT'S OVERALL FINANCIAL PERFORMANCE – SUPERIOR

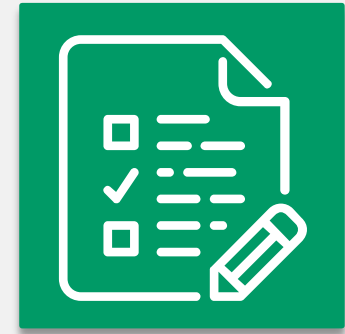
RATING	POINTS REQUIRED	# OF DISTRICTS IN STATE	% OF TOTAL DISTRICTS
<b>A = Superior</b>	90 - 100	895	87.75%
<b>B= Above Standard</b>	80 - 90	82	8.04%
<b>C = Meets Standard</b>	60 - 79	33	3.24%
<b>F = Substandard Achievement</b>	< 60 or failed a critical indicator	10	.98%



# CRITICAL INDICATORS



# Timely Filing of Audit



**INDICATOR :** 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?

**CRITERIA :** Pass / Fail



**EXPLANATION :** The first critical indicator ensure audit report was submitted on time?



**CISD SCORE :** Yes, We **Passed** this Indicator



# Auditor's Opinion



**INDICATOR :** Was there an unmodified opinion in the AFR on the financial statements as a whole?

**CRITERIA :** Pass / Fail



**EXPLANATION :** An unmodified opinion means there were no indications of financial mismanagement, material errors or poor controls.

**CISD received a "Clean Audit" Designation**



**CISD SCORE ::** Yes = We **Passed** this Indicator

# Auditor's Opinion - Measure Internal Controls



**INDICATOR :** 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?

**CRITERIA :** Pass / Fail

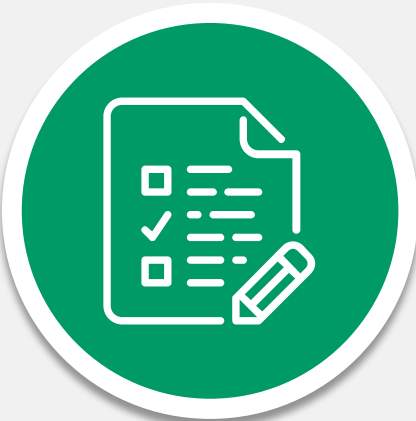


**EXPLANATION :** A material weakness is a significant deficiency, or a combination of significant deficiencies, in internal controls that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.



**CISD SCORE ::** Yes = We **Passed** this Indicator

# Debt Covenants



**INDICATOR :** Was the school district in compliance with the payment terms of all debt agreements at fiscal year end ?

**CRITERIA :** Pass / Fail



**EXPLANATION :** This indicator seeks to make certain that all bills/obligations, including financing arrangements to pay for required debt service payments were paid timely.



**CISD SCORE :** : Yes = We **Passed** this Indicator

# Timely Payments – Government Agencies



**INDICATOR :** 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?

**CRITERIA :** Pass / Fail



**EXPLANATION :** This indicator seeks to make sure the district fulfilled its obligation to TRS, TWC, IRS and any payroll related obligation required to be paid within 30 days.



**CISD SCORE :** Yes = We **Passed** this Indicator

# CRITICAL INDICATOR 5



This indicator was not scored.



# SOLVENCY INDICATORS



# DAYS CASH ON HAND



**INDICATOR:** 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)?

<b>CRITERIA:</b>	<b>10</b>	<b>8</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>0</b>
	90+ days	75-89 days	60-74 days	45-59 days	30-44 days	<30 days



**EXPLANATION:** This indicator measures the cash flow sufficiency in days a district has to meet its operating expenditures thus measure its financial health.



**CISD CALCULATION:**

$[(\text{Cash} + \text{Investments}) / \text{Non-construction General Fund expenditures}] * 365$

$[(793,086 + 49,303,926) / (119,113,172 - 478,968)] * 365 = 154 \text{ days or } 5 \text{ months}$



**CISD SCORE: 10**

# MEASURES LIQUIDITY



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

<b>CRITERIA:</b>	10	8	6	4	2	0
	3+	2.5-2.9	2.0-2.4	1.5-1.9	1.0-1.4	<1



**EXPLANATION:** This indicator measures whether the school district had sufficient short-term assets (e.g., cash) at the end of the fiscal year to pay off its short-term liabilities (e.g., payroll)



## CISD CALCULATION:

Current Assets (**what we own** - Cash) / Current Liabilities (**what we owe** - Payroll)

$$124,994,703 / 36,570,503 = 3.4$$



**CISD SCORE: 10**



# MEASURES LEVERAGE



**INDICATOR:** Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?

## CRITERIA:

10	8	6	4	2	0
$\leq 0.60$	0.61 - 0.70	0.71 - 0.80	0.81 - 0.90	0.91 - 1.0	$\geq 1.0$

*Districts with a change in student population of 7% or more over the past 5 years are exempted and pass automatically.*



**EXPLANATION:** This ratio shows the percentage of assets that are financed with long-term debt. The lower the ratio, the less dependent we are on debt.



## CISD CALCULATION:

Long-Term Debt / Total Assets  
 $302,226,259 / 416,348,997 = 0.7258$

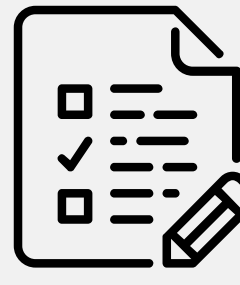


## CISD SCORE: 6

*Student growth over 5 years was less than 7%*


# MEASURES REVENUE $\geq$ EXPENDITURES



 **INDICATOR:** Was the school district's general fund revenues  $\geq$  expenditures (excluding facilities acquisition and construction)?

## CRITERIA:

10	0
$\geq 0$	$< 0$

 **EXPLANATION:** This indicator measures – did the district spend more than it earned? No.

 **CISD CALCULATION:**  
[Revenues / Non-construction General Fund Expenditures] - 1  
[120,036,109 / 119,113,172 - 478,968] - 1 = 0.0118

 **CISD SCORE:** 10

# MEASURES COVERAGE RATIO



**INDICATOR:** Was the debt service coverage ratio sufficient to meet the required debt service?

**CRITERIA:**

10	8	6	4	2	0
1.20 +	1.15 – 1.19	1.10 – 1.14	1.05 – 1.09	1.0 – 1.04	< 1.0



**EXPLANATION:** This ratio looks at our ability to make debt principal and interest payments with funds available at August 31. In other words, we have sufficient cash to cover district’s loan payments



**CISD CALCULATION:**

[General & Debt Service revenues – Non-construction General Fund expenditures + Debt Service fund balance] / Debt Service expenditures

$$[150,222,534 - 148,512,700 + 43,519,201] / 29,399,528 = 1.5$$



**CISD SCORE:** 10

# MEASURE % BUDGET SPENT ON ADMIN



**INDICATOR:** Was the school district's administrative cost ratio equal to or less than the threshold ratio?

**CRITERIA** (5,000 to 9,999 ADA):

10	8	6	4	2	0
< = 10%	10% - 12.5%	12.5% - 15.0%	15.0% - 17.5%	17.5% - 20.0%	> 20.0%



**EXPLANATION:** This indicator measures the percentage of our budget spent on administration.



**CISD CALCULATION:**

General Fund expenditures in functions 21 & 41 / General Fund expenditures in functions 11, 12, 13 & 31 (excludes capital outlay and TRS on-behalf)

$$5,142,647 / 64,102,390 = 8.02\%$$



**CISD SCORE:** 10

# Measure % Student to Staff ratio



**INDICATOR:** Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)?

<b>CRITERIA:</b>	<b>10</b>	<b>0</b>
	Yes	No

*Districts with steady or increasing enrollment automatically pass.*



**EXPLANATION:** If the school district's enrollment declined, did the number of staff decline proportionally?



**CISD CALCULATION:**  
Enrollment increased



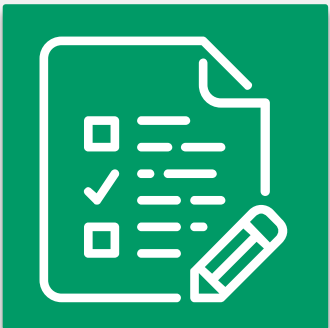
**CISD SCORE:** 10



# FINANCIAL COMPETENCE INDICATORS



# Measure Quality of Financial Data Reported



**INDICATOR** : 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 ?

CRITERIA	
10	0
< 3%	> = 3%



**EXPLANATION** : This indicator measures the quality of data reported to PEIMS.



**CISD CALCULATION** : Sum of differences / Total expenditures

$$\$59 / \$ 119,113,115 = 0.00\%$$



**CISD SCORE** : 10

# Measure Material Non-Compliance



**INDICATOR :** 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?

CRITERIA	
10	0
Yes	No



**EXPLANATION :** Did our auditors find that we complied with all applicable laws, contracts and requirements from granting agencies?



**CISD CALCULATION :** Yes



**CISD SCORE :** 10



# Adjusted Repayment Schedule



**INDICATOR :** 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 ?

CRITERIA	
10	0
Yes	NO



**EXPLANATION :** Did we have to ask for an easy payment plan to return money to TEA; after spending the overpayment from the Foundation School Program?



**CISD CALCULATION :** Yes



**CISD SCORE :** 10

# SUMMARY OF CARROLL ISD SCORES



CRITICAL INDICATORS	
Indicator (#1-#5)	Pass / Fail
Timely Filing of Audit	Pass
Auditor's Opinion	Pass
Debt Covenants	Pass
Timely Payments - IRS	Pass
Unrestricted Net Assets	Not Scored

SOLVENCY INDICATORS	
Indicator (#6-#12)	Pass / Fail
Days Cash on Hand	10
Measure Liquidity	10
Measure Leverage	06
Revenue > Expenditure	10
Ability to Pay Debt & Interest	10
Measure % Budget Spent of Administration	10
Measure % Student to Staff ratio	10

COMPETENCE INDICATORS	
Indicator (#13-#15)	Pass / Fail
Measure Quality of Financial Data Reported	10
Measure Material Non-Compliance	10
No Adjusted Repayment Schedule	10

**Total Score: 96**  
**Rating: A (Superior)**

# Additional Disclosures



## The following required disclosures are included in Board Book:

- Superintendent's current employment contract for 2019/20
- Summary schedule of reimbursements received by the superintendent and each board member for the 2019 fiscal year
- Disclosure of all business transactions between the school district and board members for the 2019 fiscal year



## The following required disclosures were not applicable to CISD for the 2019 fiscal year:

- Disclosure of all outside compensation and/or fees received by the Superintendent for professional consulting and/or other personal services for the 2019 fiscal year
- Disclosure of any gifts received by executive officer(s) and board members (and first degree relatives, if any) in the 2019 fiscal year

# Future Recommendation



## Recommendation for Academic Year 2020/21 and beyond:

- Fund Balance Policy Continue to increase # of days cash on hand to sufficiently cover operating expenditures
- Administrative Cost Ratio – Continue to deliver the dollars to support the needs of students (e.g. instruction, library, curriculum, and guided counselors)
- Financial Resources. Continue to invest in the student and teacher by ensuring fiscal resources are better managed to provide **maximum allocation** for *direct instructional purposes*.



**THE END**  
**2019-2020**  
**FIRST PUBLIC HEARING**





**Thank  
You**