



KLEIN INDEPENDENT SCHOOL DISTRICT

**A Public Hearing of the Klein ISD
Board of Trustees to discuss the
Schools FIRST Financial Accountability Rating System**

GUIDELINES FOR THE PUBLIC HEARING

October 13, 2020 7:00 P.M.

We are very pleased that you have joined us for this Public Hearing to discuss the Schools FIRST financial accountability rating system.

The following rules of procedures will apply to tonight's hearing:

1. The president will announce at the beginning of the meeting that all who desire to speak must register with the Board secretary.
2. The speakers must confine their remarks to the District's rating on the Schools FIRST financial accountability rating system.

FINANCIAL MANAGEMENT PERFORMANCE REPORT

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October 13, 2020

Dr. Jenny McGown
Superintendent of Schools

Dear Dr. McGown,

Klein Independent School District received a rating of "A=Superior" under Texas' Schools FIRST financial accountability rating system based upon an analysis of staff, student, budgetary and actual financial data reported for the fiscal year ending August 31, 2019. The Superior rating is the state's highest, demonstrating the quality of Klein ISD's financial management and reporting system.

The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being "A=Superior" followed by "B=Above-Standard," "C=Meets Standard" and "F=Substandard Achievement." Districts that receive the "F=Substandard Achievement" rating under Schools FIRST must file a corrective action plan with the Texas Education Agency.

This is the eighteenth year of Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas school districts, developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of Schools FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

Included in this report are the accountability indicators and required disclosures including a copy of the Superintendent's contract, details of reimbursements to the Superintendent and members of the Board, and additional statements relating to any outside compensation of the Superintendent, any gifts to District officials or Board members, and any business transactions between the District and members of the Board of Trustees. The accountability indicators are explained on pages 8-11 and the required disclosures are on pages 12-25.

The Klein ISD has received the highest rating possible under Texas' Schools FIRST financial accountability rating system for eighteen consecutive years. This rating shows that Klein's schools are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently.

Respectfully submitted,

Daniel A. Schaefer, CPA
Chief Financial Officer

Jason J. Gossett
Executive Director of Business Services

OUR SHARED VISION

IN KLEIN ISD, **EVERY** STUDENT ENTERS WITH A **PROMISE** & EXITS WITH A **PURPOSE**

MISSION

We will achieve our shared vision by focusing on:

PATHWAYS:

Providing every student with a rich, relevant, and clear pathway to success.

CHALLENGE:

Focusing on the whole student so that every one will engage in rigorous learning and build excellent character.

EQUITY:

Closing gaps by personalizing learning by knowing every student by name, strength, and need.

LEADERSHIP:

Retaining, attaining, and growing excellent leaders throughout our system so that every student learns in a quality environment.

CONTINUOUS IMPROVEMENT:

Gathering feedback from every voice in order to eliminate silos, build strategic partnerships, and foster a culture of learning.

ASPIRATIONAL MEASURES AND INDICATORS OF SUCCESS

While there are multiple measures, we will focus on three primary ones:

Every student graduates from high school with a purpose.

Every student makes at least one year's growth every year.

Every indicator in the Whole Student and Community Engagement Indicator System is at the highest level.

STRATEGIC PRIORITIES

As Promise2Purpose Investors, we will focus our resources and relationships on three strategic priorities, while always looking for ways to innovate to improve the system for students.

REIMAGINE LEARNING:

- Personalized Learning
- Flexible and Challenging Curriculum
- Standardized Evaluation

CULTIVATE TALENT:

- Best-in-Class Leadership Pipeline
- Feedback Loops and Self-reflection
- Targeted Professional Learning

BUILD COMMUNITY:

- Relationships, Mentoring, and Partnerships
- Engaging, Educating, and Equipping Families
- Cultural Responsiveness

GUIDING DOCUMENTS

Three Guiding Documents define our culture:

PROFILE OF A LEADER

PROFILE OF A LEARNER

HIGH QUALITY TEACHING

DATE:	August 7, 2020
SUBJECT:	Preliminary School FIRST Ratings 2019-2020
CATEGORY:	Accreditation Information
NEXT STEPS:	Share with appropriate staff

Your school district's preliminary 2019–2020 School Financial Integrity Rating System of Texas (FIRST) rating is now available online. To access your district's School FIRST rating:

- access the Texas Education Agency (TEA) website: <http://tea.texas.gov/>,
- click the Finance and Grants webpage tab link: http://tea.texas.gov/Finance_and_Grants/,
- click the Financial Accountability link,
- click the School FIRST link, and
- click the School District FIRST Ratings link.

Basis for School FIRST Rating

Your district's rating is based on an analysis of the district's financial data for fiscal year 2019 (the fiscal period ended June 30, 2019, or August 31, 2019, depending on the ending date of your district's fiscal year). We determined your district's rating using the financial indicators specified in [19 Texas Administrative Code \(TAC\) §109.1001\(e\)](#).

Please carefully review your district's preliminary School FIRST rating and the data associated with each of the 15 indicators.

Opportunity for Appeal

If your district wants to appeal an adverse issue it identifies in the preliminary rating, your district may submit a written appeal with supporting evidence to the Financial Accountability Section. For the appeal to be considered, we must receive it by **September 8, 2020**. Send any appeal to the following address:

Texas Education Agency
Financial Accountability Section
1701 North Congress Avenue
Austin, TX 78701

Please see 19 TAC §109.1001(n) for the rules regarding the filing of an appeal. As stated in that section, we will consider only an appeal that would result in a change to your district's rating. **If no appeal is submitted by your district, the preliminary rating becomes the final on the 31st day after the preliminary ratings are released.**

Final School FIRST Rating and Required Reporting

We will issue final ratings to school districts after we have reviewed any submitted appeals. Final 2019–2020 School FIRST ratings are anticipated to be released in November 2020.

Within two months of the release of its final School FIRST rating, your district must announce and hold a public meeting to distribute a financial management report that explains the district's rating and its performance under each indicator for the current and previous year's ratings. The report also must provide the financial information described in [19 TAC §109.1001\(q\)\(3\)](#). We encourage your district to include in the report additional information that will be beneficial to stakeholders, especially information explaining any special circumstances that may have affected the district's performance under one or more of the indicators.

The required newspaper notice to inform taxpayers of the meeting must be published no more than 30 days and no fewer than 10 days before the public meeting. Your district may combine the meeting with a scheduled regular meeting of the board of trustees.

For full requirements related to the report and meeting, see [19 TAC §109.1001\(q\)](#). For a template that your district can use in developing its financial management report, see the TEA [School FIRST](#) web page.

Accreditation Status

Please note that the TEA considers a district's School FIRST rating when assigning an accreditation status, as required by the accreditation status rules in [19 TAC §97.1055](#).

Contact for Further Information

If you have questions about your district's School FIRST rating, please contact Rita Bunton at (512) 936-3712 or by email at Rita.Bunton@tea.texas.gov.

Sincerely,

David Marx, CPA
Director
Financial Compliance

RATING YEAR **2019-2020**DISTRICT NUMBER **district #**

Select An Option

Help

Home



Financial Integrity Rating System of Texas

2019-2020 RATINGS BASED ON SCHOOL YEAR 2018-2019 DATA - DISTRICT STATUS DETAIL

Name: **KLEIN ISD(101915)**

Publication Level 1: 8/6/2020 9:26:37 AM

Status: **Passed**

Publication Level 2: 8/6/2020 11:17:34 AM

Rating: A = Superior

Last Updated: 8/6/2020 11:17:34 AM

District Score: 100

Passing Score: 60

#	Indicator Description	Updated	Score
1	<u>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?</u>	3/31/2020 1:13:09 PM	Yes
2	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.		
2.A	<u>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.)</u>	3/31/2020 1:13:09 PM	Yes
2.B	<u>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.)</u>	3/31/2020 1:13:10 PM	Yes
3	<u>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.)</u>	3/31/2020 1:13:10 PM	Yes
4	<u>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?</u>	3/31/2020 1:13:10 PM	Yes
5	This indicator is not being scored.		

			1 Multiplier Sum
6	<u>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)? (See ranges below.)</u>	3/31/2020 1:13:11 PM	10
7	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u>	3/31/2020 1:13:11 PM	10
8	<u>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 increase of students in membership over 5 years was 7 percent or more, then the school district passes this indicator. See ranges below.</u>	3/31/2020 1:13:12 PM	10
9	<u>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?</u>	3/31/2020 1:13:12 PM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	3/31/2020 1:13:14 PM	10
11	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	3/31/2020 1:13:14 PM	10
12	<u>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.)</u>	3/31/2020 1:13:15 PM	10
13	<u>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?</u>	3/31/2020 1:13:17 PM	10
14	<u>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.)</u>	3/31/2020 1:13:17 PM	10
15	<u>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?</u>	3/31/2020 1:13:17 PM	10
			100 Weighted Sum
			1 Multiplier Sum
			100 Score

DETERMINATION OF RATING

A. Did the district answer '**No**' to Indicators 1, 3, 4, or 2.A? If so, the school district's 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 = Meets Standard

60-79

F = Substandard Achievement

<60

No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.

Home Page: [Financial Accountability](#) | Send comments or suggestions to FinancialAccountability@tea.texas.gov

THE **TEXAS EDUCATION AGENCY**

1701 NORTH CONGRESS AVENUE • AUSTIN, TEXAS, 78701 • (512) 463-9734

FIRST 5.9.1.0

2019-20 FIRST Rating
Based on School Year 2018-19 Data
Explanation of Indicators and Indicator Results

- 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?**

Explanation of Indicator: This indicator seeks to make certain the KISD has filed the Annual Financial Report by the required deadline.

Indicator Results/Points: Yes/Passed; The Klein ISD AFR was received by the TEA on January 27, 2020.

- 2. 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.**

- 2.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.)**

Explanation of Indicator: A "modified" opinion on a financial report means that the district needs to correct some of our reporting or financial controls. A district's goal, therefore, is to receive an "unmodified opinion" on its AFR.

Indicator Results/Points: Yes/Passed; The Klein ISD AFR received an unmodified opinion.

- 2.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.)**

Explanation of Indicator: A clean audit of your AFR would state that the Klein ISD has no material weaknesses in internal controls. Any internal weaknesses create a risk of the Klein ISD not being able to properly account for its use of public funds and should be immediately addressed.

Indicator Results/Points: Yes/Passed; the external independent auditor reported that the AFR was free of any instances of material weaknesses in internal controls over financial reporting.

- 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.)**

Explanation of Indicator: This indicator seeks to make certain that the Klein ISD has timely paid all bills/obligations, including financing arrangements to pay for school construction, school buses, photocopiers, etc.

Indicator Results/Points: Yes/Passed; The Klein ISD AFR did not have any disclosures concerning default on bonded indebtedness obligations and were able to make all bond payments.

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?

Explanation of Indicator: This indicator seeks to make sure the district fulfilled its obligation to the TRS, TWC and IRS to transfer payroll withholdings and to fulfill any additional payroll-related obligations required to be paid by the district.

Indicator Results/Points: Yes/Passed; The Klein ISD fulfilled its payroll obligations.

5. This indicator was not scored for this First Rating.

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)? (See ranges below.)

Explanation of Indicator: This indicator measures how long in days after the end of the fiscal year the school district could have disbursed funds for its operating expenditures without receiving any new revenues. Did you meet or exceed the target amount in School FIRST?

Indicator Results/Points: 10 points; the number of days of cash on hand and current investments in the general fund were 140.2037.

10 points	8 points	6 points	4 points	2 points	0 points
≥ 90	< 90 ≥ 75	< 74 ≥ 60	< 60 ≥ 45	< 45 ≥ 30	< 30

7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)

Explanation of Indicator: This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. Did you meet or exceed the target amount in School FIRST?

Indicator Results/Points: 10 points; the current assets to current liabilities ratio was 3.5491.

10 points	8 points	6 points	4 points	2 points	0 points
≥ 3.00	< 3.00 ≥ 2.50	< 2.50 ≥ 2.00	< 2.00 ≥ 1.50	< 1.50 ≥ 1.00	< 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 7 percent or more, then the school district passes this indicator.) (See ranges below.)

Explanation of Indicator: This question is like asking someone if their mortgage exceeds the market value of their home. Were you below the cap for this ratio in School FIRST? Fortunately, this indicator recognizes that high-growth districts incur additional costs to open new instructional campuses.

Indicator Results/Points: 10 points; the ratio of long-term liabilities to total assets is 0.7606. The change of student membership over 5 years was 0.0828; therefore, it is an automatic pass.

10 points	8 points	6 points	4 points	2 points	0 points
≤ 0.60	> 0.60 ≤ 0.70	> 0.70 ≤ 0.80	> 0.80 ≤ 0.90	> 0.90 ≤ 1.00	> 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?

Explanation of Indicator: This indicator simply asks, "Did you spend more than you earned?" (The school district will automatically pass this indicator, if the school district had at least 60 days cash on hand.)

Indicator Results/Points: 10 points; general fund revenues exceeded expenditures.

10. Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)

Explanation of Indicator: This indicator asks about the school district's ability to make debt principal and interest payments that will become due during the year.

Indicator Results/Points: 10 points; the debt service coverage ratio was 1.7073.

10 points	8 points	6 points	4 points	2 points	0 points
≥ 1.20	< 1.20 ≥ 1.15	< 1.15 ≥ 1.10	< 1.10 ≥ 1.05	< 1.05 ≥ 1.00	< 1.00

11. Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)

Explanation of Indicator: This indicator measures the percentage of their budget that Texas school districts spent on administration.

Indicator Results/Points: 10 points; the Klein ISD administrative cost ratio was 0.0471.

ADA Size	10 points	8 points	6 points	4 points	2 points	0 points
10,000 and Above	≤ 0.0855	> 0.0855 ≤ 0.1105	> 0.1105 ≤ 0.1355	> 0.1355 ≤ 0.1605	> 0.1605 ≤ 0.1855	> 0.1855

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.)

Explanation of Indicator: If the school district had a decline in students over 3 school years, this indicator asks if the school district decreased the number of the staff on the payroll in proportion to the decline in students. (The school district automatically passes this indicator if there was no decline in students.)

Indicator Results/Points: 10 points; there was not a decline of student enrollment.

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?

Explanation of Indicator: This indicator measures the quality of data reported to PEIMS and in our 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 3 percent or more, your district "fails" this measure.

Indicator Results/Points: 10 points; the PEIMS data variance was less than 3 percent.

- 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.)**

Explanation of Indicator: A clean audit of your Annual Financial Report would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed.

Indicator Results/Points: 10 points; the external independent auditor reported that the AFR was free of any instances of material noncompliance for grants, contracts and laws.

- 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?**

Explanation of Indicator: This indicator asks if the district had to ask for an easy payment plan to return monies to TEA after spending the overpayment from the Foundation School Program state aid.

Indicator Results/Points: 10 points; Klein ISD did not receive an adjusted repayment schedule as a result of a financial hardship.

SUPERINTENDENT AND BOARD OF TRUSTEES DISCLOSURE REQUIREMENTS
September 1, 2018 - August 31, 2019

SUPERINTENDENT		-----BOARD OF TRUSTEES-----									
Reimbursements:	Dr. Champion	Dr. McGown	Anderson	Arellano	James	Mann	Pilkington	Reitmeier	Todd	Benes	Total
Meals	360.00	35.00	52.85	30.00	44.78	60.38	-	-	10.55	30.00	623.56
Lodging	1,305.43	-	967.32	521.02	521.02	1,946.25	-	1,357.40	458.30	-	7,076.74
Transportation	420.85	387.60	496.26	220.69	252.63	1,110.25	-	611.99	330.36	-	3,830.63
Registration Fees	720.00	-	425.00	425.00	-	1,730.00	135.00	-	895.00	500.00	4,830.00
Dues	1,988.00	-	-	-	-	-	-	-	-	-	1,988.00
Cell Phone	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	10.00	-	-	-	-	-	-	142.84	152.84
											-
Gifts of \$250 or more:	-	-	-	-	-	-	-	-	-	-	-
											-
Business Transactions:	-	-	-	25,003.75	-	-	-	-	-	-	25,003.75
											-
											-
Total	4,794.28	422.60	1,951.43	26,200.46	818.43	4,846.88	135.00	1,969.39	1,694.21	672.84	43,505.52

NOTES:

1. The Superintendent did not receive any outside compensation in exchange for professional consulting and other personal services.
2. Gifts from outside entities receiving payments from the district or from competing vendors not awarded contracts must be disclosed if the value of the gifts exceed \$250 in the aggregate. No gifts from outside entities or competing vendors were received by the Superintendent, Board of Trustee members, or members of their immediate families.
3. The Superintendent's Contract can be found on the Klein ISD Website for the Superintendent.
(<https://www.kleinisd.net/cms/one.aspx?portalid=568125&pageid=1974026>)