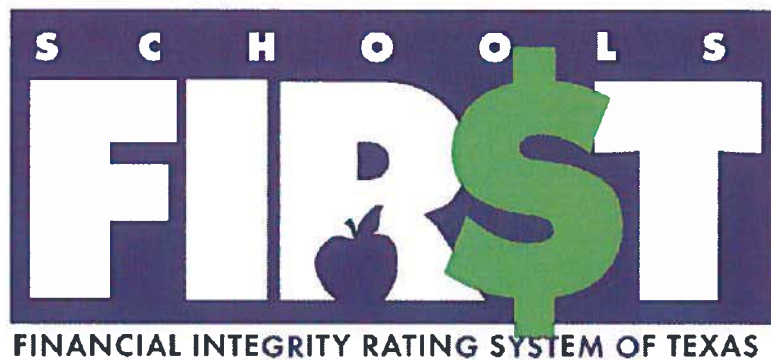




## 2014-2015 RATING OF "P" FOR "PASSED"

State's Highest Fiscal Accountability  
Rating



Pearland Independent School District

Presented September 8, 2015

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# Section One



# PEARLAND ISD

**John P. Kelly, Ph.D.**  
*Superintendent*

September 8, 2015

Board of Trustees  
Pearland Independent School District

Dear Members of the Board:

This is the 13<sup>th</sup> year of School FIRST (Financial Accountability Rating System of Texas) for the financial accountability system developed by the Texas Education Agency for school districts in response to Senate Bill 875 of the 76<sup>th</sup> Texas Legislature in 1999. In August, 2015, TEA implemented major changes to School FIRST in accordance with House Bill 5 of the 83<sup>rd</sup> Texas Legislature in 2013 which required TEA to combine financial accountability indicators with financial solvency indicators. The changes to the School FIRST system implemented by TEA in August 2015 are the first series of changes to be phased-in over a three-year period. The primary goal of School 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.

With a perfect score of 30 out of a possible 30 points, Pearland Independent School District received a rating of "P" for "Passed" under Texas' School First accountability rating system for the 2014-2015 rating year. The "Passed" rating is the state's highest, demonstrating the quality of Pearland ISD's financial management and reporting system.

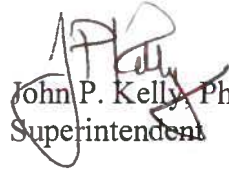
The Texas Education Agency converted Schools First to a two-tier rating system of either "P" for "Pass" or "F" for "Substandard Achievement" for the 2014-2015 rating year. Prior to the 2014-2015 rating year, the Schools FIRST accountability rating system assigned one of four financial accountability ratings to Texas school districts, with the highest being "Superior Achievement," followed by "Above-Standard Achievement," "Standard Achievement" and "Substandard Achievement." Pearland ISD achieved the rating of Superior Achievement for eleven of the previous twelve years.

In addition to the seven indicators in the 2014-2015 rating, public school districts are also required to disclose information regarding (a) the Superintendent's employment contract, (b) reimbursements received by the Superintendent and school board members, (c) outside compensation and fees received by the Superintendent for personal services, (d) gifts received by executive officers and board members, (e) business transactions between the school district and board members and (f) any other information the board of trustees determines to be useful.

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Schools FIRST program ensures that Texas school districts not only take responsibility for student learning but also achieve efficient, cost-effective instructional gains. Pearland ISD's officials will use this year's rating as a guide in their continuing efforts to maximize taxpayer dollars while reinforcing that the district uses the soundest business practices.

Sincerely,



John P. Kelly Ph.D.  
Superintendent

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## Section Two

RATING YEAR **2014-2015** Select An Option Help Home



**Financial Integrity Rating System of Texas**

**2014-2015 RATINGS BASED ON SCHOOL YEAR 2013-2014 DATA - DISTRICT STATUS DETAIL**

<b>Name:</b> PEARLAND ISD(020908)	<b>Publication Level 1:</b> 8/20/2015 11:24:40 AM
<b>Status:</b> Passed	<b>Publication Level 2:</b> 8/20/2015 11:24:40 AM
<b>Rating:</b> Pass	<b>Last Updated:</b> 8/20/2015 11:24:40 AM
<b>District Score:</b> 30	<b>Passing Score:</b> 16

#	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>	4/6/2015 2:29:03 PM	Yes
2	<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>	4/6/2015 2:29:03 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</u>	4/6/2015 2:29:04 PM	Yes

	<u>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>		
4	<u>Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (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.)</u>	7/30/2015 12:12:25 PM	Yes
			1 Multiplier Sum
5	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	7/15/2015 11:45:51 AM	10
6	<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>	8/17/2015 5:41:53 PM	10
7	<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>	4/6/2015 2:29:06 PM	10
			30 Weighted Sum
			1 Multiplier Sum
			30 Score

**DETERMINATION OF RATING**

<b>A.</b>	Did The District Answer 'No' To Indicators 1, 2, 3, Or 4? If So, The District's Rating
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	<b>Is Substandard Achievement.</b>	
<b>B.</b>	Determine Rating By Applicable Range For Summation of the Indicator Scores (Indicators 5-7)	
	<b>Pass</b>	16-30
	<b>Substandard Achievement</b>	<16

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# Section Three



# Disclosures

Reporting requirements for the financial management report for Schools FIRST public hearing are found in **Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System**. This rule describes requirements for the five (5) disclosures explained below that are to be presented as appendices in the Schools FIRST financial management report.

## 1. Superintendent's Employment Contract

The school district is to provide a copy of the superintendent's employment contract that is effective on the date of the Schools FIRST hearing in calendar year 2015. In lieu of publication in the Schools FIRST financial management report, the school district may choose to publish the superintendent's employment contract on the school district's Internet site. **If published on the Internet**, the contract is to remain accessible for twelve months.

## 2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2014

For the Twelve-month Period Ended June 30 or August 31, 2014	Superintendent	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
Description of Reimbursements								
Meals	\$0.00	\$224.77	\$0.00	\$108.00	\$66.00	\$125.96	\$0.00	\$38.96
Lodging	660.22	781.75	0.00	1099.98	648.03	1737.82	0.00	495.19
Transportation	0.00	340.50	0.00	345.12	321.44	1154.42	0.00	372.30
Motor Fuel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	599.00	400.00	350.00	1105.00	475.00	0.00	60.00	645.00
<b>Total</b>	<b>\$1,259.22</b>	<b>\$1,747.02</b>	<b>\$350.00</b>	<b>\$2,658.10</b>	<b>\$1,510.47</b>	<b>\$3,018.20</b>	<b>\$60.00</b>	<b>\$1,551.45</b>

**Note** – The spirit of the rule is to capture all “reimbursements” for fiscal year 2014, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

**Meals** – Meals consumed off of the school district's premises, and in-district meals at area restaurants (excludes catered meals for board meetings).

**Lodging** – Hotel charges.

**Transportation** – Airfare, car rental (can include fuel on rental), taxis, mileage reimbursements, leased cars, parking and tolls.

**Motor fuel** – Gasoline.

**Other** – Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.



# Disclosures

### 3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2014

For the Twelve-Month Period Ended June 30 or August 31, 2014	
Name(s) of Entity(ies)	\$0.00
Total	\$0.00

**Note** – Compensation does not include business revenues from the superintendent’s livestock or agricultural-based activities on a ranch or farm. Report gross amount received (do not deduct business expenses from gross revenues). Revenues generated from a family business that have no relationship to school district business are not to be disclosed.

### 4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2014

For the Twelve-Month Period Ended June 30 or August 31, 2014								
Summary Amounts	Superintendent	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**Note** – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification. (Any gifts received by their immediate family as described in Government Code, Chapter 573, Subchapter B, Relationships by Consanguinity or by Affinity will be reported under the applicable school official.)



# Disclosures

## 5. Business Transactions Between School District and Board Members for Fiscal Year 2014

For the Twelve-Month Period Ended June 30 or August 31, 2014	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
Summary Amounts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**Note -** The summary amounts reported under this disclosure are not to duplicate the items reported in the summary schedule of reimbursements received by board members.