

ESC 1
Financial Compliance Update
January 2021

Agenda

ISD Depository Change

New Fund Codes

New PIC Codes

House Bill 293

Financial Integrity Rating System of Texas (FIRST)

ISD Depository Contract Submission Changes

- ISD depository contract documentation is no longer required to be submitted to TEA.
- Senate Bill 1376, eliminated Texas Education Code (TEC) §45.208 (e) which required the depository contract documentation be submitted to TEA.
- ISDs will still have to continue to follow all other depository contract rules and continue to submit changes to their depository through the Audit application in TEAL.
- TEA will also continue to provide the bid and proposal forms.
- TEC §12.107(b) was not repealed by SB1376; charter schools will continue to submit their depository contract to TEA.

New Fund Code

Fund 266

CARES ACT -
Coronavirus
Aid, Relief,
and
Economic
Security
(CARES) Act

- This code is used to account for federal stimulus funds that support an LEAs ability to operate and instruct its students during the Covid-19 pandemic.
- Available for use for both 19-20 and 20-21 school year.

New Fund Code

Fund 277

Coronavirus Relief Fund (CRF) of the CARES Act

This code is used to account for federal stimulus Coronavirus Relief Funds granted to LEAs through the CARES Act for necessary expenditures incurred due to public health emergency with respect to COV-ID 19 and to reimburse LEAs for expenses related to COVID-19 that were incurred dating back to March 1, 2020. (CFDA21.019)

Available for use for 20-21 school year.

Multiple CRF funding streams:

TDEM CRF LEA Reimbursement Program

- Operation Connectivity Bulk Purchase Program
- Operation Connectivity Bulk Purchase Program Local Match Reimbursement Program
- Operation Connectivity Prior Purchase Reimbursement Program

Coding Pre-award CRF funds

Example:

- ❑ Record expenditures in FY19-20 in Fund 199 or track locally (Fund 277 is not available until 20-21)
 - Record revenue in FY20-21 in Fund 199
 - Note this will be a reconciling item on the SEFA and districts will have to keep the paperwork from the original purchase/expenditures.

Clarification for recording revenue and expenditures

- Record the reimbursement in 20-21 in the fund that expended it in the prior year 19-20. If the District is claiming funds from the prior year that were paid for with the general fund before they received the award, then the receipt for that portion must go in fund 199. You cannot record the revenue in 277 and transfer or move prior year expenditures into the current fiscal year.
- You can only move expenses if it occurred in the same year from 199 to 277. If you coded an expenditure in 20-21 that pertained to 277 in 199, you could move that expenditure by crediting expense in 199 and expensing in 277.

Coding CFR Funds Frequently Asked Questions (FAQ)

- Questions 1: I have questions regarding the guidance we have received on recording expenditures/revenues for fund codes 266 and 277 and compliance with GAAP. If we are claiming reimbursements for 2019-2020 transactions in the General Fund, would we need to record a receivable and revenue for the amount of those expenditures to be in compliance with GAAP? Would we also need to record those transactions on our 2019-2020 SEFA?
- Question 2: If fund codes 266 & 277 are not available for use in FY2019-2020, should we be recording the revenue and receivable in the General Fund? Would recording revenue in FY 2020-21 for FY 2019-20 expenditures allow for proper matching of revenues and expenditures, and would we encounter issues in recording these expenditures on our SEFA?
- Question 3: How are districts recording their county and/or city Care funds?

Coding CFR Funds FAQ – Continued

Answer:

- For fund 266 (Elementary and Secondary School Emergency Relief), since the district received notice of the grant award early in the summer before the end of fiscal year ending 2020 and it was also an offset to revenue for 2019-2020, the district can record a revenue or receivable to match the expenditures. GASB Implementation guidance considered this.
- GASB Implementation Guide No. 2019-1, Implementation Guidance Update—2019 , question 4.7 confirms that in the absence of an executed grant agreement before the end of the reporting period, a governmental entity cannot establish that it has incurred allowable costs.

Coding CFR Funds FAQ – Continued

Answer:

- For Fund 277 (Coronavirus Relief Fund), the funds were not available until October, therefore, you cannot accrue the revenue. Record the expenditures in fund 199 utilizing a local option code or local fund code to track the expenditures and record them on the SEFA as a reconciling item. Record the receipt of the funds in fund 199 in fiscal year ending 2021. Fund 277 will be utilized for current year expenditures.
- The GAQC also addressed the issue of not having revenue and expense recorded in the same year.

When should expenditures go on the SEFA?

New COVID-19 programs are introducing challenges to normal process

- Cash received well before award/terms and conditions agreed to
- New concept of lost revenue
- Ability to choose which costs are charged to a particular award is at a level we have not encountered before

General rule of thumb for SEFA inclusion

- Underlying activity occurs
- There is an award/terms of conditions
- Not necessarily tied to GAAP recognition of revenue

Challenges in this area exist for both direct awards and awards received from PTEs

Coding CFR Funds FAQ – Continued

Answer:

Districts would use the appropriate fund code, fund code 266 or 277, and the applicable revenue object code, which is based upon the entity that disburses the CARE funds to the district.

- ℞5919 Federal Revenues Distributed through Government Entities Other than State or Federal Agencies**
This code is used to classify revenues realized from entities of the federal government passed through a **city**, education service center, council of government, etc., and not received directly from a state or federal agency.
- ℞5929 Federal Revenues Distributed by the Texas Education Agency**
This code is used to classify revenues realized for federal programs passed through the Texas Education Agency and not defined elsewhere.
- ℞5939 Federal Revenues Distributed by State of Texas Government Agencies (Other than the Texas Education Agency)**
This code is used to classify revenues realized for federal programs passed through state agencies other than the Texas Education Agency not defined elsewhere.
- ℞5949 Federal Revenues Distributed Directly from the Federal Government**
This code is used to classify revenues that are: realized for federal programs, received directly from the federal government, and not otherwise listed in the *FASRG*.

Program Intent Codes (PIC)

New Dyslexia PIC Codes

PIC 43 – Dyslexia Special Ed Services

- ⑩ A school district or charter school is entitled to an annual allotment for each student that it serves who has been identified as having dyslexia or a related disorder under Texas Education Code (TEC), Section 48.103.
- ⑩ LEAs will use this PIC for expenditures associated with serving a student who has an Individualized Education Plan (IEP) that specifically states that dyslexia services are required, and the LEA uses the (HB3) dyslexia state allotment to serve that student.
- ⑩ *100% spend requirement, for state compliance will be **combined** with PIC 37*
- ⑩ To the Administrator Addressed letter will be published July 2, 2020. <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/updates-to-program-intent-codes-0>
- ⑩ Effective for the 2020-2021 fiscal year

New Annual Audit Requirement for Comp Ed and Bilingual



A new report must be included in the annual audit detailing how the allotment was used and what objectives were accomplished.



The independent auditor will have some procedures to determine compliance, information will either be a supplementary schedule in the audit or disclosed in the footnotes.



The SBOE is tasked with developing the minimum standards the report must cover and issue these rules in the TAC. The commissioner is tasked with reviewing each report annually for the preceding year and report those not in compliance. By law, the commissioner must withhold funding if the district or charter school could not get into compliance after a reasonable amount of time.

Spending Requirement Question

Question: What if my district does not meet the spending requirements for this year because of the changes that were made to state funding?

Answer: The district or charter will be required to make up the difference in the following year.

For example: District received \$100, required to spend \$55 on the program, only spent \$45. The following year the district would be required to spend \$10 plus 55% of the new allotted amount for the year.

House Bill (HB) 293

HB 293

- Government Code §2256.008 (g) Subsection (a-1) does not apply to the treasurer, chief financial officer, or investment officer of a school district if:
 - (1) the district:
 - (A) does not invest district funds; or
 - (B) only deposits those funds in:
 - (i) interest-bearing deposit accounts; or
 - (ii) certificates of deposit as authorized by Section 2256.010; and
 - (2) the treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under Subdivision (1) that apply to the district.

- To the Administrator Addressed Letter November 14, 2019
- <https://tea.texas.gov/about-tea/news-and-multimedia/correspondence/taa-letters/public-funds-investment-act-training-school-districts>
- Include:
 - The due date of the sworn affidavit is the same as the district's AFR (November 27 or January 28)
 - Use the AUDIT system to upload the letter
 - Email: InvestmentTraining@tea.texas.gov

Updates on FIRST

Three Year FIRST Results

	Final 19-20	Final 18-19	Final 17-18
Ratings	Count	Count	Count
A = Superior Achievement	898	906	846
B = Above Standard Achievement	81	71	110
C = Meets Standard Achievement	32	33	62
F = Substandard Achievement	9	10	4
Total	1,020	1,020	1,022

2020–2021 Ratings Year (Based on FY 2020 Data)

Rating	2019-2020 Ratings	2020-2021 Ratings
A = Superior Achievement	90 – 100 points	90 – 100 points
B = Above Standard Achievement	80 – 89 points	80 – 89 points
C = Meets Standard Achievement	60 – 79 points	70 – 79 points
F = Substandard Achievement	0 – 59 points	0 – 69 points

Critical Indicators

- Indicator 1: Timely Filing of the AFR and Data Feed
- Indicator 2: Unmodified Opinion in the AFR
- Indicator 3: Monetary Default on Debt
- Indicator 4: Timely Payments to Government Entities and Warrant Hold(s)
- Indicator 5: Unrestricted Net Position Balance

❖ Failure to meet the requirements of a critical indicator will cause a school district to fail first for the applicable rating year.

Indicator 1: Timely Submission of the Annual Financial and Compliance Report (AFR)

- ❑ Was the complete annual financial and compliance report (AFR) and data submitted to 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?
 - **Critical Indicator** – yes or no response
 - Aligns with Texas Education Code, § 44.008(d)
 - Data Source: AFR, and data feed
 - TEC, § 44.008(d)
 - *(d) A copy of the annual audit report, approved by the board of trustees, shall be filed by the district with the agency not later than the 150th day after the end of the fiscal year for which the audit was made. If the board of trustees declines or refuses to approve its auditor's report, it shall nevertheless file with the agency a copy of the audit report with its statement detailing reasons for failure to approve the report.*

Indicator 2: Auditor Opinion

- ❑ Did the school district's AFR contain an unmodified opinion 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.
 - **Critical Indicator** – yes or no response
 - Data Source: AFR, and data feed, Schedule L- 1

Indicator 3: Monetary Default on Debt

- ❑ Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?
 - **Critical Indicator** – yes or no response
 - Data Source: AFR, and data feed, Schedule L-1

Indicator 4: Timely Payments to Governmental Entities and Warrant Holds

- ❑ 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? **If the school district received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments and will fail this indicator.**

If the school district was issued a warrant hold, the maximum points and highest rating that the school district may receive is **95 points, A = Superior Achievement** (even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days).

- **Critical Indicator** – yes or no response
- **Ceiling Indicator** – yes
- Data Source: data feed, Schedule L-1, and information from governmental entities

- ❑ Was the total unrestricted net position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero?

If the school district passes indicator 5 based on the school district's **7 percent or more increase in students in membership, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.**

- Note: GASB 68 Net Pension Liability and GASB 75 Other Postemployment Benefits (OPEB) liability is added back to unrestricted net position.
- **Critical Indicator**
- **Ceiling Indicator – yes**
- Data Source: data feed, Schedule A-1, and data feed, Schedule L-1

Solvency Indicators

- Indicator 6: 3 Year Change in Fund Balances - NEW
- Indicator 7: Number of Days of Cash on Hand
- Indicator 8: Current Assets to Current Liabilities Ratio
- Indicator 9: General Fund Revenues Equal or Exceed Expenditures
- Indicator 10: Budgeted to Actual Revenues 3 Year Comparison - NEW
- Indicator 11: Long-Term Liabilities to Total Assets Ratio
- Indicator 12: Debt Per \$100 of Assessed Property Value - NEW
- Indicator 13: Administrative Cost Ratio
- Indicator 14: Student to Staff Ratio over 3 Year Period

Indicator 6: 3-year Change in Fund Balances

- ❑ Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures?
 - If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is **89 points, B = Above Standard Achievement**.
 - **Ceiling Indicator** – yes
 - Data Source: data feed, C-1 (AFR – Balance Sheet) and C-2 worksheets (AFR – Statement of Revenues, Expenditures And Changes in Fund Balances)
 - **The following ceiling criteria must be met**
 - Assigned + unassigned fund balances change over three years must be < 25 percent; **or**
 - Current year under review assigned and unassigned fund balances must be > 75 days of operational expenditures

Indicator 6: 3-year Change in Fund Balances - Continued

Calculation:

Part I:

$$\frac{\text{Assigned + Unassigned Fund Balances Two Years Prior to Current Year Under Review} + \text{Assigned + Unassigned Fund Balances Three Years Prior to Current Year Under Review}}{\text{Assigned + Unassigned Fund Balances Three Years Prior to Current Year Under Review}} + \frac{\text{Assigned + Unassigned Fund Balances One Year Prior to Current Year Under Review} + \text{Assigned + Unassigned Fund Balances Two Years Prior to Current Year Under Review}}{\text{Assigned + Unassigned Fund Balances Two Years Prior to Current Year Under Review}} + \frac{\text{Assigned + Unassigned Fund Balances Current Year Under Review} + \text{Assigned + Unassigned Fund Balances One Year Prior to Current Year Under Review}}{\text{Assigned + Unassigned Fund Balances One Year Prior to Current Year Under Review}} \div 3 = < 25\%$$

or

Part II:

$$\frac{\text{Total Expenditures for Current Year Under Review}}{\text{Capital Outlay (Function 81) for Current Year Under Review}} \div 365 \times 75 = > 75 \text{ Days of Operational Expenditures of the Current Year Under Review Assigned and Unassigned Fund Balances}$$

Indicator 7: Number of Days of Cash On Hand

□ 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)?

- Data Source: data feed, C-1 and C-2 worksheets
- Range: **0** to **10** points on a sliding scale

Points	10	8	6	4	2	0
Days	≥90	<90 ≥75	<75 ≥60	<60 ≥45	<45 ≥30	<30

- Calculation:

$$\frac{\text{Cash \& Equivalents} + \text{Current Investments}}{\text{Total Expenses} - \text{Facilities Acq. and Const.}} \times 365$$

Indicator 8: Current Assets to Current Liabilities

- Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?
 - Data Source: data feed, A-1 worksheet
 - Calculation: $\text{Current Assets} \div \text{Current Liabilities}$
 - Range: **0** to **10** points on a sliding scale

Points	10	8	6	4	2	0
Ratio	≥ 3.00	$< 3.00 \geq 2.50$	$< 2.50 \geq 2.00$	$< 2.00 \geq 1.50$	$< 1.50 \geq 1.00$	< 1.00

Indicator 9: General Fund Revenues Equal or Exceed Expenditures

- ❑ 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?

- Data Source: data feed, C-1 and C-2 worksheets
- Calculation:

Total Revenues	- 1	> 0
Total Expenditures – Facilities Acquisition & Construction		

- Worth **0** or **10** points
 - 10 points if revenues \geq expenditures (excluding facilities acquisition and construction) **or**
 - the school district's cash on hand is ≥ 60 days

Indicator 10: Budgeted to Actual Revenues – 3-year Comparison

- Did the school district average less than a **10 percent variance (90%-110%)** when comparing budgeted revenues to actual revenues for the last 3 fiscal years?
 - Data Source: PEIMS, General Fund (199) Revenue Object Codes 57XX through 58XX, Fall Snapshot (Budgeted Revenues) and Mid-year (Actual Revenues) collections submissions
 - Worth **0** or **10** points
 - Calculation: Budget versus Actual

$$\left(\frac{\text{Actual Revenues } \mathbf{Two} \text{ Years Prior to Current Year Under Review} - \text{Budgeted Revenues } \mathbf{Two} \text{ Years Prior to Current Year Under Review}}{\text{Budgeted Revenues } \mathbf{Two} \text{ Years Prior to Current Year Under Review}} \right) + \left(\frac{\text{Actual Revenues } \mathbf{One} \text{ Year Prior to Current Year Under Review} - \text{Budgeted Revenues } \mathbf{One} \text{ Year Prior to Current Year Under Review}}{\text{Budgeted Revenues } \mathbf{One} \text{ Year Prior to Current Year Under Review}} \right) + \left(\frac{\text{Actual Revenues } \mathbf{Current Year Under Review} - \text{Budgeted Revenues } \mathbf{Current Year Under Review}}{\text{Budgeted Revenues } \mathbf{Current Year Under Review}} \right) / 3$$

Indicator 10: Budgeted to Actual Revenues 3-year Comparison - Continued

	FY 2018		FY 2019		FY 2020		
	Actual	Budget	Actual	Budget	Actual	Budget	
199-57XX	4,000,000	3,390,000	4,100,000	4,150,000	4,250,000	4,200,000	= 1%
199-58XX	5,970,000	5,990,000	5,800,000	6,000,000	5,650,000	5,750,000	
	6%		-2%		-1%		

Indicator 11: Long-term Liabilities to Total Assets Ratio

- ❑ 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 five years was a **7 percent or more increase**, then the school district passes this indicator.

- Data Source: data feed, A-1worksheet, and PEIMS fall collection student data review reports
- Calculation: Long-Term Liabilities ÷ Total Assets
- Range: **0** to **10** points on a sliding scale

Points	10	8	6	4	2	0
Ratio	≤ 0.60	> 0.60 ≤ 0.70	> 0.70 ≤ 0.80	> 0.80 ≤ 0.90	> 0.90 ≤ 1.00	> 1.00

or

- Students in Membership (year under review) – Students in Membership 5 years from year under review > = 7%

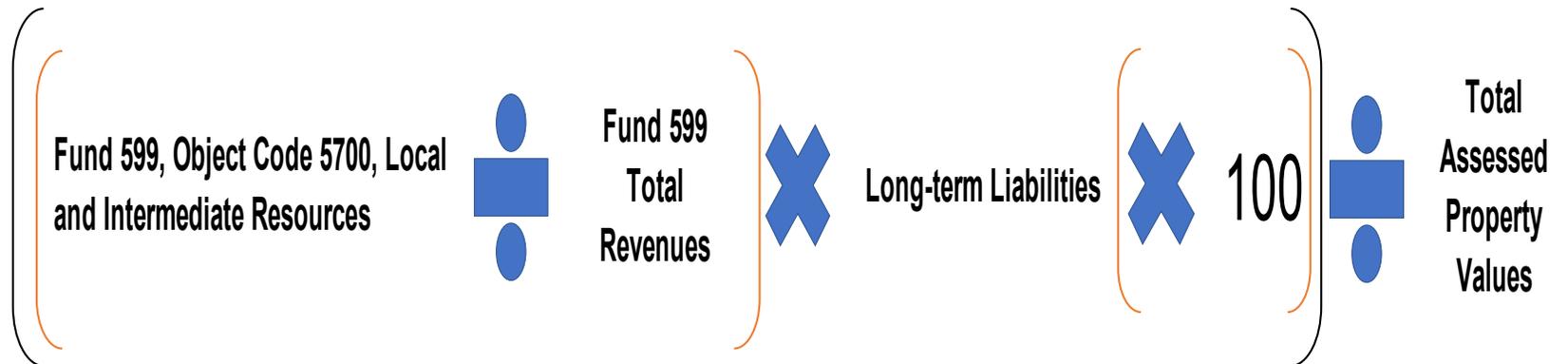
Indicator 12 : Debt Per \$100 of Assessed Property Value

- Was the debt per \$100 of assessed property value ratio sufficient to support future debt payments?
 - Data Source:
 - data feed, A-1 worksheet (AFR statement of net position)
 - data feed, J-1 worksheet (AFR – Exhibit J, Schedule of Delinquent Taxes Receivable), current year net assessed value
 - PEIMS mid-year collection report PDM2-100-004, fund 599, debt service fund, local and total revenues, object codes 5700 and 5020
 - Range: **0** to **10** points on a sliding scale

Points	10	8	6	4	2	0
Ratio	≤ 4	$> 4 \leq 7$	$> 7 \leq 10$	$> 10 \leq 11.5$	$> 11.5 \leq 13.5$	> 13.5

Indicator 12: Debt Per \$100 of Assessed Property Value - Continued

Calculation:



Indicator 13: Administrative Cost Ratio

- ❑ Was the school district's administrative cost ratio equal to or less than the threshold ratio?
 - If a school district's administrative cost ratio is high that may reflect:
 - financial inefficiency
 - "top-heavy" organization
 - Data Source: PEIMS
 - Calculation: $\frac{\text{Sum of amounts for function codes 21 and 41}}{\text{Sum of amounts for function codes 11, 12, 13, and 31}}$
 - Includes object codes 61XX-64XX in fund code 199, except 6144
 - Range: **0** to **10** points on a sliding scale

Indicator 13: Administrative Cost Ratio – Continued

Points	10	8	6	4	2	0
ADA 10,000 and Above	≤ 0.0855	> 0.0855 ≤ 0.1105	> 0.1105 ≤ 0.1355	> 0.1355 ≤ 0.1605	> 0.1605 ≤ 0.1855	> 0.1855
ADA 5,000-9,999	≤ 0.1000	> 0.1000 ≤ 0.1250	> 0.1250 ≤ 0.1500	> 0.1500 ≤ 0.1750	> 0.1750 ≤ 0.2000	> 0.2000
ADA 1,000-4,999	≤ 0.1151	> 0.1151 ≤ 0.1401	> 0.1401 ≤ 0.1651	> 0.1651 ≤ 0.1901	> 0.1901 ≤ 0.2151	> 0.2151
ADA 500-999	≤ 0.1311	> 0.1311 ≤ 0.1561	> 0.1561 ≤ 0.1811	> 0.1811 ≤ 0.2061	> 0.2061 ≤ 0.2311	> 0.2311
ADA Less than 500	≤ 0.2404	> 0.2404 ≤ 0.2654	> 0.2654 ≤ 0.2904	> 0.2904 ≤ 0.3154	> 0.3154 ≤ 0.3404	> 0.3404
Sparse	≤ 0.3364	> 0.3364 ≤ 0.3614	> 0.3614 ≤ 0.3864	> 0.3864 ≤ 0.4114	> 0.4114 ≤ 0.4364	> 0.4364

Indicator 14: Student to Staff Ratio

- 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.

- Data Source: PEIMS Fall Collection, Student Data Review reports, and PEIMS Fall Collection, Staff FTE by Role reports

- Calculation:

$$\frac{\text{Student to Staff Ratio in Year Under Review}}{\text{Student to Staff Ratio 3 Years Prior to Year Under Review}} - 1 > -0.15$$

or

$$\text{Enrollment in Year Under Review} - \text{Enrollment 3 Years Prior to Year Under Review} > 0$$

- Worth **0** or **10** points

Financial Competency Indicators

- Indicator 15: Enrollment Variance Ratio - NEW
- Indicator 16: PEIMS to AFR (Data Feed) Data Quality
- Indicator 17: Material Weakness in Internal Controls Over Financial Reporting - NEW
- Indicator 18: Material Noncompliance Disclosed on AFR
- Indicator 19: Transparency – Required Financial Postings - NEW
- Indicator 20: Property Values and Funding Lag Discussion with the Board of Trustees - NEW

Indicator 15: Enrollment Variance

- Was the school district's actual average daily attendance (ADA) within the allotted range of the district's biennial pupil projection submitted to TEA?

If the school district did not certify the school district's biennial pupil projections, even if the school district failed to submit its biennial pupil projections to the TEA, the school district will automatically fail this indicator.

- Data Source: Summary of Finances reports, and State Funding Division data reports
- Worth **0** or **5** points

ADA Size	≥ 10,000	≥ 5,000 to < 10,000	≥ 1,000 to < 5,000	≥ 500 to < 1,000	< 500	Sparse
Range	7%	10%	20%	25%	30%	35%

- Calculation:

$$\frac{\text{Average Daily Attendance} - \text{Projected Average Daily Attendance}}{\text{Projected Average Daily Attendance}} = \text{Enrollment Variance Ratio}$$

- ❑ 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** of all expenditures by function?

If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is **89 points and B = Above Standard Achievement**.

- **Ceiling Indicator** – yes
- **Data Source:** PEIMS, and data feed, C-2 worksheet
- Calculation: Sum of the absolute values of all differences in expenditures between the data feed (Statement of Revenues, Expenditures, and Changes in Fund Balances [C-2 worksheet]) and PEIMS, by function in **Fund Code 199**.
- This indicator is no longer a point driven indicator. It is now a ceiling indicator only.

Indicator 17: Material Weaknesses in Internal Controls Over Financial Reporting

- ❑ 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.)

If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is **79 points and C = Meets Standard Achievement.**

- **Ceiling Indicator** – yes
- Data Source: data feed, Schedule L-1, and AFR
- This indicator is a ceiling indicator only.

Indicator 18: Material Noncompliance

- ❑ 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.)
 - Covers local, state, and federal funds
 - Data Source: data feed, Schedule L-1
 - Worth **0** or **10** points

Indicator 19: Required Financial Postings

- ❑ Did the school district post the required financial information on its website in accordance with the Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other required statutes, laws and regulations that were in effect at the school district's fiscal year end?
 - Data Source: data feed, Schedule L-1
 - Worth 0 or 5 points
 - **Some, but not all, of the posting requirements are disclosed on the next slide.**

Indicator 19: Required Financial Postings – Continued

The table below contains some, but not all, of the required financial postings that the school district must publish on the school district’s website and or in the local newspaper.

Texas Government Code	Texas Local Government Code	Texas Tax Code	Texas Election Code	Texas Property Code	Texas Education Code (TEC)	Texas Administrative Code (TAC)
Tex. Gov't Code §551.056(a)(b)(3)(c)(3)	Tex. Local Gov't Code §140.005	Tex. Tax Code §26.05(b)(2)	Tex. Election Code §85.007(d)(1)	Tex. Property Code §21.0112(b)(2)	TEC, §11.1512(d)	19 TAC §97.1055(f)(1)(2)(3)(A)
Tex. Gov't Code §551.128(b-1)(1)(2)	Tex. Local Gov't Code §140.006(c)	Tex. Tax Code §26.065(b)	Tex. Election Code §254.04011(a)(1)(2)(b)(c)(e)		TEC, §12A.0071(a)(b)	19 TAC §97.1061(d)(3)(A)(ii)
Tex. Gov't Code §1201.0245(b)(4)(A-G)	Tex. Local Gov't Code §140.008	Tex. Tax Code §26.16			TEC, §29.006(f)(1)(2)(3)(4)	19 TAC §109.1001(q)(4)(A)(B)
Tex. Gov't Code §2265.001(b)	Tex. Local Gov't Code §176.009(a)				TEC, §29.011(a-2)	
Tex. Gov't Code §2267.066(a)(1)(2)(A)					TEC, §29.916(c)	
Tex. Gov't Code Chapter 552					TEC, §39.083	
					TEC, §39.083(d)(1)(2)	
					TEC, §39.362	
					TEC, §44.0041(a)(1)	
					TEC, §44.0051(a)(b)	

- ❑ Did the school board members discuss the district's property values at a board **meeting within 120 days** before the district adopted its budget?

If the school district fails indicator 20, the maximum points and highest rating that the school district may receive is **89 points and B = Above Standard Achievement**.

- **Ceiling Indicator** – yes
- Data Source: data feed, Schedule L-1

Frequently Asked School FIRST Indicator Questions

Question:

- One of the new indicators is looking at Budget vs. Actual Revenue in 199, numerous districts received Hurricane Harvey Property Value Decline money right at the end of 18/19 without any prior notice from TEA, therefore this revenue was not budgeted. For several of us this number was significant. Will special appropriations like these be excluded when calculating this FIRST indicator?

TEA response:

- The agency is aware of this concern and will review the data and make the necessary adjustments, if there are significant impacts to the financial performance of school districts and charter schools.
- A school district, an open-enrollment charter school, or a charter school operated by a public IHE may appeal any adverse issue it identifies in the preliminary rating.

Frequently Asked School FIRST Indicator Questions – Continued

Question:

- Given the unpredictability of ADA because of the COVID-19 virus, will TEA exclude certain indicators from the 2021–2022 FIRST ratings (normally released August 2022) given that those ratings rely on data from the 2020–2021 school year?

Frequently Asked School FIRST Indicator Questions – Continued

TEA response:

- Yes, there are certain indicators that are impacted by the uncertainty of ADA and the adjustments being made to FSP funds that will be excluded from the 2021–2022 FIRST ratings. The indicators being excluded are listed below:
 - **Indicator #10** - Did the school district average less than a 10 percent variance (90%-110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years? (**All LEAs**)
 - **Indicator #15** - Was the school district's actual ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections? (**school districts**)
 - **Indicator #16** - Was the charter school's actual average daily attendance (ADA) within 10 percent of the charter school's annual estimated ADA? (**open-enrollment charter schools**)

Thank you!!

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