

# ANNUAL FINANCIAL ACCOUNTABILITY MANAGEMENT REPORT

## Progreso Independent School District Earns State's Highest Fiscal Accountability Rating

The Progreso Independent School District has received a rating of "Superior" under Texas' school finance accountability rating system.

This is the fourteenth year of Schools FIRST (Financial Integrity Rating System of Texas). Senate Bill 218 of the 77<sup>th</sup> Legislature (2001) authorized the implementation of a financial accountability rating system referred to as Schools FIRST. Schools FIRST was developed in consultation with the Comptroller of Public Accounts and from the many comments received from school district and regional education service center personnel. The District's FIRST rating is based upon an analysis of staff and student data reported for the 2014-2015 school year, and budgetary and audited financial data for the August 31, 2015 fiscal year.

The purpose of the Financial Accountability Rating System is to ensure that school districts are held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The rating discloses the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools. This rating system was designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation for direct instructional purposes.

This Annual Financial Accountability Management Report covers many business-related issues, however, it focuses on the Schools FIRST rating worksheet. This worksheet was developed by representatives of the Texas Education Agency (TEA), the Texas Business and Educational Council (TBEC), and the Texas Association of School Business Officials (TASBO).

The worksheet is used to rate the District according to fifteen indicators, based upon its relative performance, except for the first five critical indicators. A negative response to any of the first five indicators results in the district receiving a rating of "Substandard Achievement".

In calendar year 2008, new reporting requirements were effective for the financial management report that is distributed at the Schools FIRST public hearing. Per Title 19, Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, the following five (5) disclosures are presented as appendices in the Schools FIRST financial management report:

1. Superintendent's current Employment Contract
2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2015
3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2015
4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2015
5. Business Transactions between School District and Board Members for Fiscal Year 2015

Last year's Schools FIRST included major changes in the Commissioner's Rule that was finalized in August 2015. The changes in the Commissioner's Rule were authorized by HB5, Section 49, 83<sup>rd</sup> Texas Legislature, Regular Session 2013. The purpose of this new system is intended to measure solvency within the FIRST indicators and for more simplicity. These changes are being phased in over three years. There were only 7 indicators used for the 2014-2015 rating. The number of indicators have increased to 15 for the 2015-2016 Schools FIRST.

This report briefly describes data used to calculate the rating and the significance of each indicator. Other information affecting the District's financial accountability is also included.



Financial Integrity Rating System of Texas  
2014-2015

DISTRICT STATUS DETAIL

2013 – 2014

Name: Progreso ISD(108910)  
Rating: Standard Achievement  
Indicators Answered YES: 4  
Indicators Answered NO: 0  
District Score: 16

2014 – 2015

Name: Progreso ISD (108910)  
Rating: Superior Achievement  
Indicators Answered YES: 5  
Indicators Answered NO: 1  
District Score: 82

#	Indicator Description	2013-2014	2014-2015
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?	Yes	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 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.)	Yes	Yes
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.)	N/A	No
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	Yes
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?	N/A	Yes
5	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.)	Yes	Yes
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)?	N/A	10
7	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	N/A	6
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 or more, then the school district passes this indicator.)	N/A	10



#	Indicator Description	2013-2014	2014-2015
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 day of cash on hand greater than or equal to 60 days?	N/A	10
10	Was the service coverage ratio sufficient to meet the required debt service?	N/A	10
11	Was the school district's administrative cost ratio equal to or less than the threshold ratio?	N/A	10
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)	N/A	6
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?	N/A	10
14	Did the external independent auditor report that 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 weakness.)	N/A	0
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?	N/A	10

#### DETERMINATION OF RATING

- A. Did The District Answer 'No' To Indicators 1, 3, 4, 5 OR 2.A? If So, The District's Rating Is **F** for **Substandard Achievement**.
- B. Determine the rating by the applicable number of points (Indicators 6-15):

<b>A = Superior</b>	70 - 100
<b>B = Above Standard</b>	50 - 69
<b>C = Meets Standard</b>	31 - 49
<b>F = Substandard Achievement</b>	< 31



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?

The District's Annual Financial Report was filed with the Texas Education on January 28, 2016.

- 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.)

The opinion expressed by our independent auditors on the August 31, 2015 Annual Financial Report was unmodified, a clean opinion. A "qualification" on our financial report would have meant that corrections were needed in some of our reporting or financial controls. The District's goal, therefore, is to receive an "unqualified opinion" on its Annual Financial Report.

- 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.)

Material weaknesses in internal controls were reported in the 2014-2015 Annual Financial Report.

Internal control weaknesses create a risk that a district may not be able to properly account for its use of public funds, and should be addressed immediately. An independent audit is required to state if a district had material weaknesses.

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.)

This indicator seeks to make certain that the District has paid its bills/obligations on bonds issued to pay school construction, school buses, photocopiers, etc.

Progreso ISD met all bonded indebtedness obligations in a timely manner,

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?

Progreso ISD made timely payments to Government Agencies.

5. 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.)

This indicator simply asks "Did the District's total assets exceed the total amount of liabilities?" Fortunately, this indicator recognizes that high-growth districts incur large amounts of debt to fund construction, and total debt may exceed the total amount of assets under certain scenarios.

*A "Negative Response" to Indicators 1, 3, 4, 5, or 2.A results in the district receiving a rating of "Substandard Achievement"*



Progreso ISD's Unrestricted Net Asset Balance was \$1,289,499 at August 31, 2015.

- 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)?**

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. The District had 163.793 days of cash on hand at August 31, 2015.

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

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. The standard ratio is greater than or equal to 3.0, the District's ratio is 2.2405

- 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 or more, then the school district passes this indicator.)**

This indicator measures long-term solvency and leverage. It measures only the long-term portion of the school district's liabilities (bonds, and loans) and the total assets of school district (school property, buildings, equipment, etc.). The standard ratio is less than or equal to 0.60, the District's ratio is 0.10.

- 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 day of cash on hand greater than or equal to 60 days?**

This indicator simply asks if the district spent more than what it earned.

Progreso ISD's number of days of cash on hand was greater than 60 days.

- 10. Was the service coverage ratio sufficient to meet the required debt service?**

This indicator looks at the district's ability to make debt principal and interest payments that will become due during the year. The standard ratio is greater than or equal to 1.20.

Progreso ISD's debt service coverage ratio was greater than 1.20.

- 11. Was the school district's administrative cost ratio equal to or less than the threshold ratio?**

This indicator measures the percentage of the budget that Texas school districts spent on administration based on district size. For districts in Progreso ISD's category, the administrative cost ratio should fall below 0.1151%. The District's ratio for the 2014-2015 was 0.147%.

- 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)**

If the school district had a decline in students over 3 school years, this indicator asks if the school district decreased the number of staff on the payroll in proportion to the decline in students. The enrollment decline however the number of FTE declined also.

- 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?**

This indicator measures the quality of data reported to PEIMS and in the 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 more than 3 percent, the District "fails" this measure. Progreso ISD's data quality measure was less than 0.03 percent.

- 14. Did the external independent auditor report that 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 weakness.)**

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

- 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?**

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. The district did not have a repayment schedule.

Progreso ISD was one of the 1,002 school districts in the state of Texas that received "Superior Rating". The chart below presents the statewide and Region One rating results.

2014-2015 Rating Counts (all Districts)				
Ratings	Statewide		Region One	
	Count	% Total	Count	% Total
A = Superior	1,002	97.95%	35	94.59%
B = Above Standard	17	1.66%	2	5.41%
C = Meets Standard	0	0.00%	0	0.00%
F = Substandard Achievement	4	0.39%	0	0.00%
Total	1,024	100.00%	37	100.00%



## Texas Administrative Code Chapter 109 Disclosures

### Disclosure 2

#### 2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2015.

Summary schedule for the fiscal year (12-month period) of total reimbursements received by the superintendent and each board member. The summary schedule reports reimbursement for meals, lodging, transportation, motor fuel, and other items separately. It does not include reimbursement for supplies and materials that were purchased for the operation of the school district.

For the Twelve-month Period Ended June 30 or August 31, 2015										
Description of Reimbursements	Ismael Cantu	Alejandro Alanis	Felix Hernandez, Jr.	Juan M. Garcia, Jr.	Juan J. Ramos, Jr.	Juan T. Vela	Luis E. Lopez	Raul Martinez, Jr.	Raul Martinez	Leo Rodriguez
Meals	\$	\$247.70	\$ 68.00	\$122.01	\$154.00	\$154.00	\$86.00	\$	\$30.00	\$263.67
Lodging		\$1,220.03	\$779.86	\$1,864.59	\$1,799.05	\$2,080.45	\$1,536.03	\$409.31	\$696.16	\$2,018.04
Transportation	\$59.67	\$351.21	\$800.97	\$577.73	\$295.26	\$555.36	\$315.21	\$76.67	\$61.70	\$507.65
Motor Fuel										
Other		\$48.00	\$164.00	\$160.00	\$329.00	\$172.00	\$48.00	\$175.00		\$172.00
Total	\$59.67	\$1,866.94	\$1,812.83	\$2,724.33	\$2,577.31	\$2,961.81	\$1,985.24	\$660.98	\$787.86	\$2,961.36

**Note** – The spirit of the rule is to capture all “reimbursements” for fiscal year 2015, 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.

**Texas Administrative Code  
Chapter 109 Disclosures**

**Disclosure 3**

**3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2015.**

Summary schedule for the fiscal year 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. The schedule shall separately report the amount received from each entity.

For the Twelve-Month Period Ended June 30 or August 31, 2015	
Name(s) of Entity(ies)	
Dr. Ismael Cantu	\$13,000.00
Total	\$13,000.00

**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.



# Texas Administrative Code Chapter 109 Disclosures

## Disclosure 4

### 4. Gifts Received by the Executive Officer(s) and Board Members and (First Degree Relatives) in Fiscal Year 2015.

Summary schedule for the fiscal year of the total dollar amount by the executive officers and board members 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 school district's executive officers and board members (and their immediate family as described by Government Code, Chapter 573, Subchapter B, as a person related to another within the first degree by consanguinity or affinity) from an outside entity that received payments from the school district in the prior fiscal year, and gifts from competing vendors that were not awarded contracts in the prior fiscal year. This reporting requirement does not apply to reimbursements of travel-related expenses by an outside entity when the purpose of travel is to investigate or explore matters directly related to the duties of an executive officer or board members, or matters related to attendance at education-related conferences and seminars whose primary purpose is to provide continuing education (this exclusion does not apply to trips for entertainment related purposes or pleasure trips. 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.

For the Twelve-Month Period Ended June 30 or August 31, 2015										
	Ismael Cantu	Alejandro Alanis	Felix Hernandez, Jr.	Juan M. Garcia, Jr.	Juan J. Ramos, Jr.	Juan T. Vela	Luis L. Lopez	Raul Martinez, Jr.	Raul Martinez	Leo Rodriguez
Summary Amounts	\$0.00	\$0.00	\$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.)

**Texas Administrative Code  
Chapter 109 Disclosures**

**Disclosure 5**

**5. Business Transactions Between School District and Board Member for Fiscal Year 2015.**

Summary schedule for the fiscal year of the dollar amount received by board members for the aggregate amount of business transactions with the school district. This reporting requirement is not to duplicate the items disclosed in the summary schedule of reimbursements received by board members.

For the Twelve-Month Period Ended June 30 or August 31, 2015										
	Ismael Cantu	Alejandro Alanis	Felix Hernandez, Jr.	Juan M. Garcia, Jr.	Juan J. Ramos, Jr.	Juan T. Vela	Luis E. Lopez	Raul Martinez, Jr.	Raul Martinez	Leo Rodriguez
Summary Amounts	\$0.00	\$0.00	\$0.00	\$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.



# PROGRESO INDEPENDENT SCHOOL DISTRICT

[www.progreso.schooldesk.net](http://www.progreso.schooldesk.net)

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