

Pleasant Grove ISD

Financial Integrity Rating System of Texas (FIRST) Annual Report Overview

The Pleasant Grove ISD received a rating of “Above Standard” under Texas’ Schools FIRST financial accountability rating system for the fiscal year ended August 31, 2018. The Above Standard rating is the state’s second highest, demonstrating the quality of the financial management and reporting system of Pleasant Grove ISD.

The Schools FIRST (Financial Integrity Rating System of Texas), is 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.

The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being “Superior”. The rating system consists of 15 indicators. To receive the “Superior” rating the district must have a score in the range 90 to 100. Pleasant Grove ISD had a weighted score of 88, just missing the “Superior” rating.

The 2017-2018 District Status report is attached to this report as Exhibit A. The report contains each indicator and the result for the district. The indicators cover many different areas of school operations including, finance, staffing, and accreditation. New rules established by Title 19, TAC, Section 109.1001(q)3(B) require this report include a copy of the superintendent’s current contract, Exhibit B, and summary financial disclosures pertaining to the superintendent and school board, Exhibit C. This information is being reported in the format recommended by the Texas Education Agency.



Pleasant Grove ISD
Financial Integrity Rating System of Texas (FIRST) Annual Report
Exhibit A – District Status Detail

Indicator 1 Was the completed annual financial report (AFR) and data submitted to the TEA within 30 days of the January 28 deadline?

Yes. The Annual Financial Report (AFR) was submitted to TEA on January 23, 2019

Indicator 2-A Was there an unmodified opinion in the AFR on the financial statements as a whole? (Unmodified opinion is defined by the American Institute of Certified Public Accountants (AICPA) and is determined by the external independent auditor.)

Yes. An unmodified opinion was the determination of the district's external independent auditors.

Indicator 2-B Did the external independent auditor report that the AFR was free of any instance of material weakness in internal controls over financial reporting and compliance for local, state, and federal funds? (Material weakness is defined by the AICPA)

No. The external independent auditor reported that there were material weaknesses in internal controls for the district.

Explanation of material weaknesses from audit report...

Bank Reconciliation – Cash was not reconciled in an accurate and timely manner. - The District has a change in payroll personnel during the year. The new payroll personnel did not receive adequate training on how to post certain payroll entries. Entries that were processed and paid separately in the past were now being processed together. However, the payments continued to be made separately, and in most cases, in separate months. As a result, the Director of Finance had a difficult time reconciling the new payroll entries to the bank statement. An audit adjustment was proposed in order to correct the cash balance, clear payroll liabilities and increase payroll expenditures on the books. (Bank Reconciliations have been corrected)

Expenditures Exceeded Budgetary Guidelines – Expenditures for the Food Service Fund exceeded budgetary guidelines for function 35.

Indicator 3 Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

Yes.

Indicator 4 Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?

Yes. The district made timely payments to government agencies.

Indicator 5 Was the total unrestricted net position balance in the governmental activities column in the Statement of Net Position greater than zero? (If the school district's change of students in membership over five years was 10% or more, then the school district also passes this indicator.)

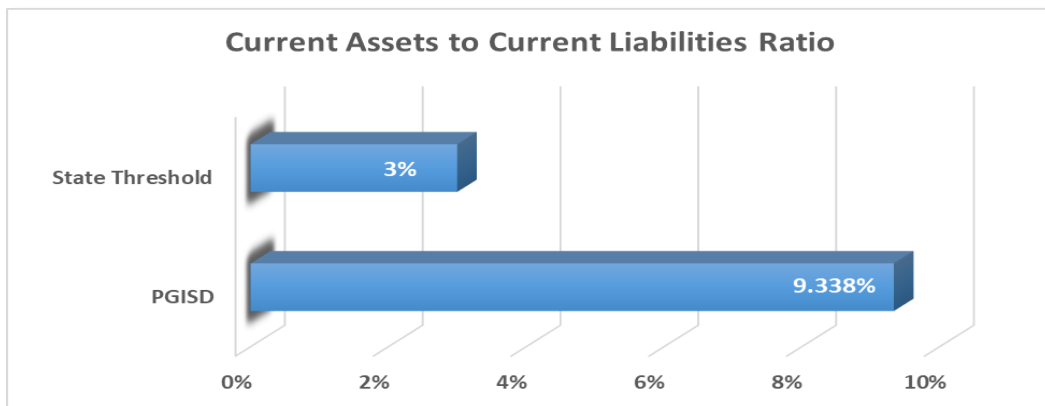
Indicator 5 is not being scored for 2018-2019.

Indicator 6 Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover the operating expenditures?

Yes (score of 10).

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

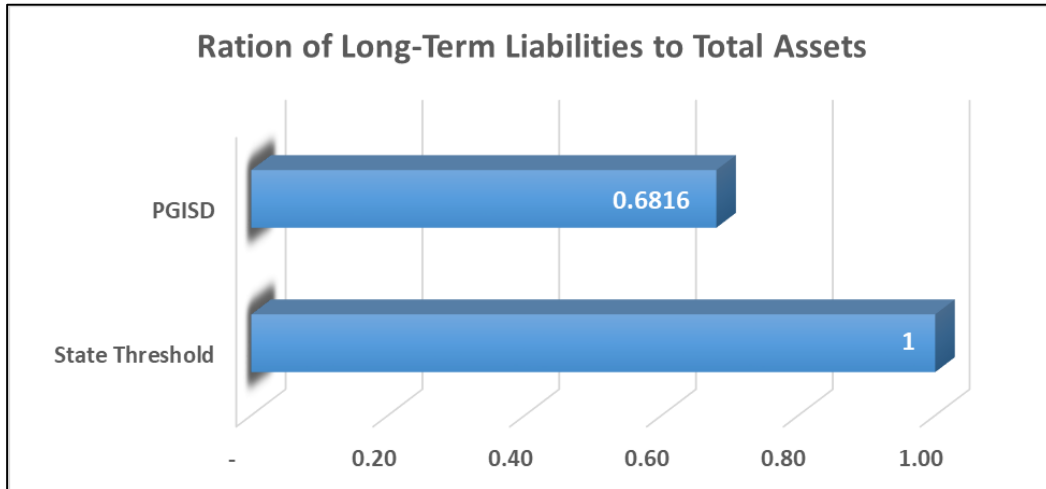
Yes (score of 10). The school district's current assets were \$31,610,101. The district's current liabilities were \$3,385,087. To determine the ratio, TEA divided the current assets by the current liabilities. This calculation results in a ratio of 9.338 To score 10 points for Indicator 7, the district's ratio must have been greater than 3.



Indicator 8

Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the district's change in students in membership over five years was 10 percent or more, then the school district also passes this indicator.)

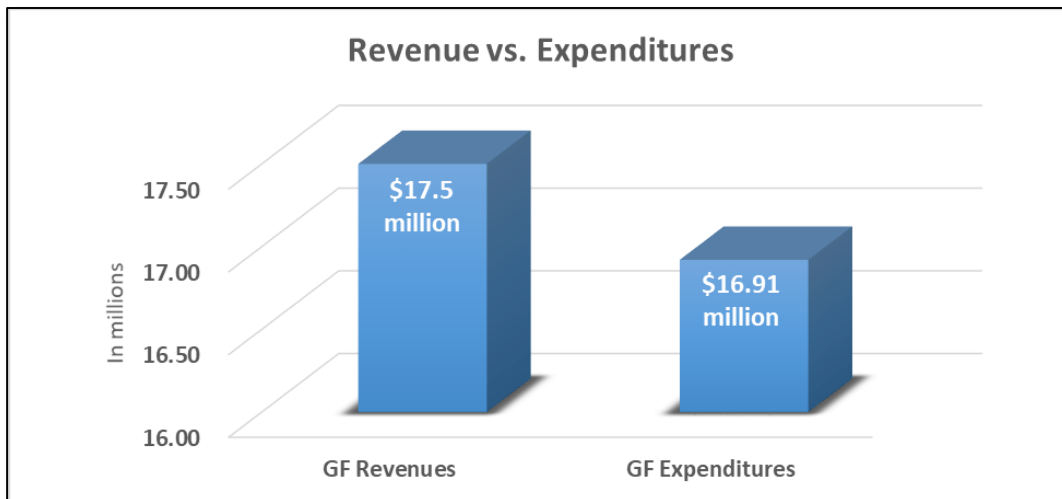
Yes (score of 8). The school district's long-term liabilities were \$50,326,620. The district's total assets were \$73,830,655. To determine the ratio, TEA divided the long-term liabilities by the total assets. This calculation results in a ratio of 0.6816. To score 10 points for Indicator 8, the district's ratio must have been less than 1.



Indicator 9

Did the school district's general fund revenues equal or exceed expenditures?

Yes (score of 10). The school district's general fund revenues were \$17,499,182, which exceeds the expenditures of \$16,917,490



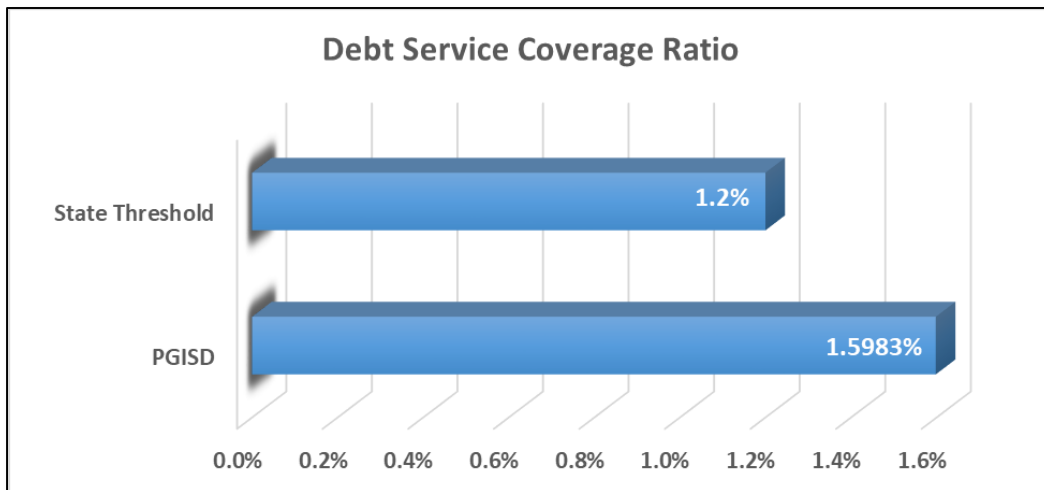
Indicator 10 Was the debt service coverage ratio sufficient to meet the required debt service?

Yes (score of 10). The ratio is determined by subtracting the total expenditures for all funds from the total revenue for all funds; adding back the debt service expenditures (General Fund and Debt Service Fund), ending Debt Service fund balance, and Capital Outlay expenditures; and dividing this total by the debt service expenditures (General Fund and Debt Service Fund).

| | |
|---|---------------------|
| <i>Total Revenues from all funds</i> | <i>\$20,725,489</i> |
| <i>minus Total Expenditures from all funds</i> | <i>\$20,643,743</i> |
| <i>plus Debt Service Expenditures (GF/Debt Service)</i> | <i>\$3,932,622</i> |
| <i>plus Ending Debt Service Fund Balance</i> | <i>\$2,271,119</i> |
| <i>plus Capital Outlay Expenditures</i> | <i>\$0.00</i> |
| | <i>\$6,285,487</i> |

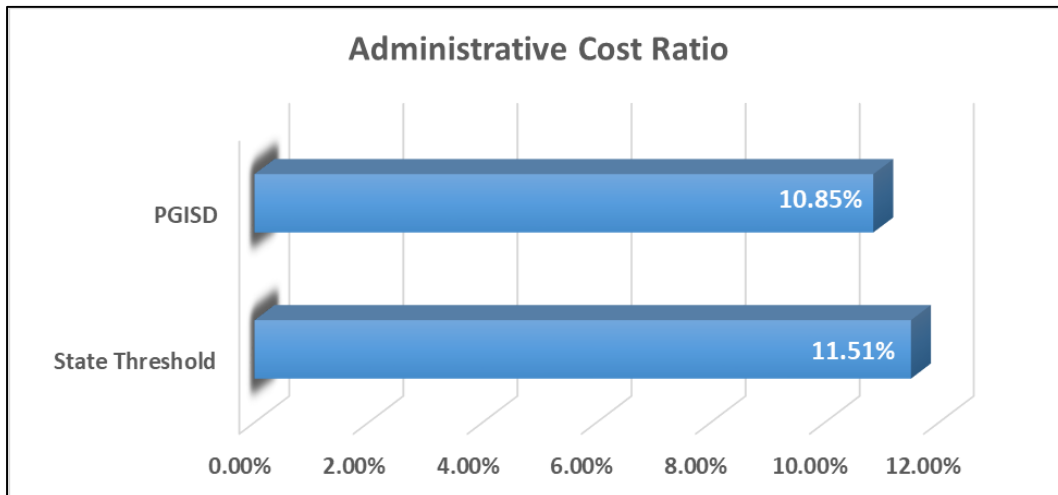
divided by Debt Service Expenditures (GFD/Debt Svc) *\$3,932,622*
1.5983

To score 10 points for Indicator 10, the district's ratio must have been greater than 1.20.



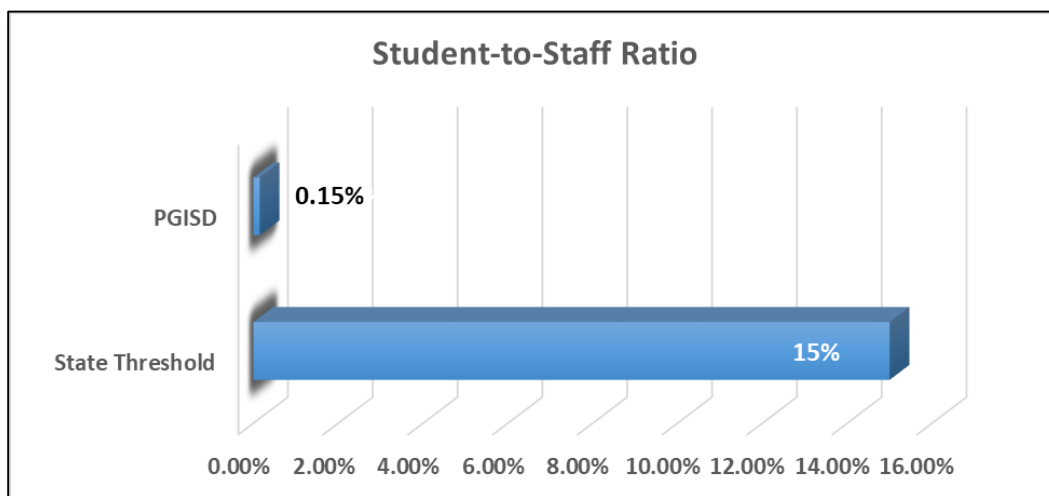
Indicator 11 Was the school district's administrative cost ratio equal to or less than the threshold ratio?

Yes (score of 10). The district's administrative cost of 10.85% was less than the state threshold ratio for a school district of our size of 11.51%.



Indicator 12 Did the school district not have a 15 percent decline in the student to staff ratio over three years?

Yes (score of 10). The district's student to staff ratio in 2015-2016 was 8.12%. The student to staff ratio in 2017-2018 was 8%. This results in a decline of .15% in a five-year period versus the state threshold of 15 percent.



Indicator 13 Did the comparison of Public Education Information Management System (PEIMS) data to like information in the district's annual financial review (AFR) result in a total variance of less than three percent of all expenditures by function.

Yes (score of 10). The district had zero variance between the PEIMS data and like information reported in the AFR.

Indicator 14 Did the external independent auditor indicate the AFR was free of any instances of material non-compliance for grants, contracts, and laws related to local, state, or federal funds?

No (score of 0).

Non-Compliance – Food Service Fund – Expenditures for the Food Service Fund exceeded budgetary guidelines in Function 35.

Indicator 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 because of a financial hardship?

Yes (score of 10).



Pleasant Grove ISD

Financial Integrity Rating System of Texas (FIRST) Annual Report
 Exhibit C – Financial Disclosures for Superintendent and School Board

Title 19 Texas Administrative Code, Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner’s Rule Concerning Financial Accountability Rating System, Section 109.001(o).

Table 1
Reimbursements Received by the Superintendent and Board Members

For the Twelve-Month Period
 Ending August 31, 2018

| Description of Reimbursement | Superintendent | Fred Meisenheimer | Lorie Son | Chris Barker | Mark Addington | Amy Damron | Ross Sarine | Kathaleen Young |
|------------------------------|------------------|-------------------|-------------|--------------|----------------|-------------|------------------|-----------------|
| Meals | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Lodging | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Transportation | \$ 455.49 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 186.18 | \$ - |
| Motor Fuel | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 455.49 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 186.18 | \$ - |

All "reimbursement" expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. Items reported per category include:
 Meals - Meals consumed out of town, and in-district meals at area restaurants (outside of board meetings).
 Lodging - Hotel charges
 Transportation - Airfare and car rental
 Other - Registration fees, telephone/call phone, internet service, fax machine, and other reimbursements

