

LA FERIA INDEPENDENT SCHOOL DISTRICT

2021-2022 Annual Financial Accountability Management Report



For the Year Ended June 30, 2021

La Feria Independent School District
203 E Oleander Avenue
La Feria, Texas 78559

Mr. Alex Cespedes, Chief Financial Officer

**La Feria Independent School District
School FIRST
Annual Financial Accountability Management Report
For the Year Ended June 30, 2021**

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**La Feria Independent School District
School FIRST 2021-2022 Rating**

October 24, 2022

Members of the Board of Trustees
La Feria Independent School District

Dear Board Members:

In response to Senate Bill 875 of the 76th Texas Legislature in 1999, the Texas Education Agency (TEA) developed the School FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas school districts. The primary goal of School FIRST is to achieve quality performance in the management of school district's financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system. The School FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts as follows: A for Superior Achievement, B for Above Standard Achievement, C for Standard Achievement, and F for Substandard Achievement.

Under School FIRST, every school district in Texas is required to prepare and distribute an annual financial management report, and to provide the public an opportunity to comment on the report at a public hearing. The annual financial management report must include the district's financial management performance rating provided by TEA based on its comparison with indicators established by the Commissioner of Education for the state's new Financial Accountability System. It must also include a comparison of each indicator for the current and previous years' financial accountability ratings, as well as additional information required by the Commissioner of Education. The primary goal of School FIRST is to improve the management of school district's financial resources.

The district's School FIRST rating is based on applicable data extracted from the audit financial data feed, the Public Education Information Management System (PEIMS), and other required collection systems to produce a final School FIRST rating. Senate Bill 622 provided major updates to the School FIRST, adopting twenty (20) total indicators beginning with the 2020-2021 School FIRST Rating Year, based on FY 2020 data.

We are pleased to announce that the La Feria Independent School District received an "A = Superior Achievement" rating for the 2021-2022 ratings year, based on FY 2021 data. Please note that indicators 5, 10, and 15 were not scored for this School FIRST rating. This is the third year in a row that the district has achieved the highest rating.

Respectfully,



Alex Cespedes, *Chief Financial Officer*

Determination of Rating

Rating	2019-2020 Ratings and Ratings Prior	2020-2021 Ratings and Ratings After
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

The first five (5) indicators are considered critical indicators. In order to receive a passing rating (Superior, Above Standard, or Meets Standard), a district must pass all five (5) critical indicators. The school district will automatically receive an F = Substandard Achievement if it fails any of the critical indicators 1 -5.

Ceiling Indicators

There are five (5) indicators that are considered ceiling indicators. These are indicators 4, 6, 16, 17, and 20. This means that dependent on the determination of each the ceiling indicators, an applicable maximum points may be achieved. The ceiling indicators, maximum points, and maximum rating are disclosed below.

Determination of rating based on meeting ceiling criteria	Maximum Points	Maximum Rating
Indicator 4 (Timely Payments) – School district was issued a warrant hold.	95	A = Superior Achievement
Indicator 6 (Average Change in Fund Balance) – Response to indicator is NO	89	B = Above Standard Achievement
Indicator 16 (PEIMS to AFR) – Response to indicator is NO	89	B = Above Standard Achievement
Indicator 17 (Material Weaknesses) – Response to indicator is NO	79	C = Meets Standard Achievement
Indicator 20 (Property Values and Tax Discussion) – Response to indicator is NO	89	B = Above Standard Achievement

County District: 031-905
 District Name: La Feria ISD
 Fiscal Year Ended: June 30, 2021

Indicator	Indicator Description	Yes / No / Points
1	Was the complete annual financial 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?	YES
2	Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountant (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)	YES
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 the 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
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? (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 critical indicator 4. 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.)	YES Ceiling Passed
5	This indicator is not being scored.	

Indicator	Indicator Description	Yes / No / Points
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6 Was the average change in (assigned and unassigned) fund balance 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 Passed

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)?

= [(Cash and Equivalents + Current Investments) / (Total Expenditures – Facilities Acquisition & Construction)] x 365 Days

= [(\$236,366 + \$7,957,535) / (\$34,572,344 - \$699,372) x 365 Days

7 = 88.2938 Days 8

Note: Data extracted from AFR Exhibit C-1 (Balance Sheet) and Exhibit C-3 (Statement of Revenues, Expenditures, and Changes in Fund Balance)

Determination of Points

10	8	6	4	2	0
>=90	<90>=75	<75>=60	<60>=45	<45>=30	<30

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

= Current Assets / Current Liabilities

= \$13,530,229 / \$5,564,677

8 = 2.4314 6

Note: Data extracted from AFR Exhibit A-1 (Statement of Net Position)

Determination of Points

10	8	6	4	2	0
>=3.00	<3.00>=2.50	<2.50>=2.00	<2.00>=1.50	<1.50>=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? 10

Indicator	Indicator Description	Yes / No / Points
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10 This indicator is not being scored. 10

11 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 automatically passes this indicator. 10

12 Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? 10

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

= Total Expenditures for Functions 21 & 41 / Total Expenditures in Functions 11, 12, 13, & 31 (in Fund 199 and Excluding 6144 for all functions)

= \$2,175,697 / \$16,884,998

= 0.1289

13 8

Average Daily Attendance (ADA) = 2,896.983

Determination of Points

ADA Size	10	8	6	4	2	0
1,000 to 4,999	<=0.1151	>0.1151<=0.1401	>1401<=0.1651	>0.1651<=0.1901	>0.1901<=0.2151	>0.2151

14 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. 10

15 This indicator is not being scored. 5

Indicator	Indicator Description	Yes / No / Points
16	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? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed
17	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 weaknesses.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.)	Ceiling Passed
18	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.)	10
19	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	5
20	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 district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed
TOTAL POINTS		92

Comparison of Current and Previous Years' Financial Accountability Ratings

Indicator	Indicator Description	2020-2021	2021-2022
1	Was the complete annual financial 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?	YES	YES
2	Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountant (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)	YES	YES
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 the 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? (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 critical indicator 4. 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.)	YES Ceiling Passed	YES Ceiling Passed
5	This indicator is not being scored.		
6	Was the average change in (assigned and unassigned) fund balance 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 Passed	Ceiling Passed
7	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)?	6	8
8	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	6	6
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?	10	10
10	This indicator is not being scored.	10	10
11	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 automatically passes this indicator.	10	10
12	Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?	10	10
13	Was the school district's administrative cost ratio equal to or less than the threshold ratio?	8	8
14	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.	10	10

Indicator	Indicator Description	2020-2021	2021-2022
15	This indicator is not being scored.	5	5
16	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? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed	Ceiling Passed
17	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 weaknesses.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.)	Ceiling Passed	Ceiling Passed
18	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.)	10	10
19	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	5	5
20	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 district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed	Ceiling Passed
	TOTAL POINTS	90	92
	RATING	A	A

Superintendent's Employment Contract

The district is to provide a copy of the superintendent's employment contract that is effective on the date of the School FIRST hearing in calendar year 2022. In lieu of publication in the School FIRST financial management report, the school district may choose to publish the superintendent's employment contract on the school district's website. If published online, the contract is to remain accessible for twelve months. Click [here](#) to access the superintendent's contract online.



DISCLOSURES

2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2021

For the Twelve-month Period Ended June 30, 2021								
Description of Reimbursements								
Meals	\$ 480.00	\$	\$	\$	\$	\$	\$	\$
Lodging								
Transportation								
Motor Fuel								
Other								
Total	\$	\$	\$	\$	\$	\$	\$	\$

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2020, 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 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 2021

For the Twelve-Month Period Ended June 30, 2021	
Name(s) of Entity(ies)	
	\$
Total	\$

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.



DISCLOSURES

4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2021

For the Twelve-Month Period Ended June 30, 2021								
Summary Amounts	\$	\$	\$	\$	\$	\$	\$	\$

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification. Gifts received by first degree relatives, if any, will be reported under the applicable school official.



DISCLOSURES

5. Business Transactions Between School District and Board Members for Fiscal Year 2021

For the Twelve-Month Period Ended June 30, 2021							
Summary Amounts	\$	\$	\$	\$	\$	\$	\$

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.



DISCLOSURES

6. Any other information the board of trustees of the school district determines to be useful.