

# ANNUAL FINANCIAL ACCOUNTABILITY MANAGEMENT REPORT



The McAllen Independent School District has received a rating of “Superior Achievement” under Texas’ school finance accountability rating system.

This is the tenth year of School FIRST (Financial Integrity Rating System of Texas). Senate Bill 218 which was passed during the 77<sup>th</sup> Legislature, Regular Session, 2001, authorized the implementation of a financial accountability rating system, which is officially referred to as School FIRST. School FIRST was developed in consultation with the Comptroller of Public Accounts, and its development also benefited from the many comments that were received from school district and regional education service center personnel. The school district’s School FIRST rating is based upon an analysis of staff and student data reported for the 2010-2011 school year as well as budgetary and actual financial data for the June 30, 2011 fiscal year.

The School FIRST accountability rating system assigns 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”. Districts with serious data quality problems may receive the additional rating of “Suspended – Data Quality”. Districts that receive the “Substandard Achievement” or “Suspended – Data Quality” ratings under School FIRST must file a corrective action plan with the Texas Education Agency.

This Annual Financial Accountability Management Report covers many business-related issues; however, it focuses on the School 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 twenty indicators, based upon its relative performance, except for the **first six critical indicators**. A **negative response to any of the first four indicators or a negative response to both the fifth and sixth critical indicators results in the district receiving a rating of “Substandard Achievement”**.

As of 2007, new reporting requirements are effective for the financial management report that is distributed at the School FIRST public hearing. In accordance with Title 19, Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner’s Rules Concerning Financial Accountability Rating System, the following six (6) disclosures will be presented as appendices in the School FIRST financial management report:

1. Superintendent’s current Employment Contract
2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2011
3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2011
4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2011
5. Business Transactions between School District and Board Members for Fiscal Year 2011
6. A summary schedule of the data submitted to the Texas Education Agency for the financial solvency provision of Texas Education Code, 39.0822

McAllen ISD’s rating under School FIRST for the year ended June 30, 2011, is “Superior Achievement”. 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.



## **Purpose of the Financial Accountability Rating System**

The Financial Accountability Rating System ensures that school districts will be:

- Held accountable for the quality of their financial management practices and
- Achieve improved performance in the management of their financial resources

It 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.



**Financial Integrity Rating System of Texas  
2010-2011 WITH 2009-2010 COMPARISON  
DISTRICT STATUS DETAIL**

**2010-2011**  
**Name: MCALLEN ISD (108906)**  
**Rating: Superior Achievement**  
**Indicators Answered YES: 6**  
**Indicators Answered NO: 0**  
**Points Earned: 70 of 70**

**2009-2010**  
**Name: MCALLEN ISD (108906)**  
**Rating: Superior Achievement**  
**Indicators Answered YES: 6**  
**Indicators Answered NO: 0**  
**Points Earned: 75 of 80**

#	Indicator Description	2010-2011	2009-2010
1	Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?	Yes	Yes
2	Was The Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In The Governmental Activities Column In The Statement Of Net Assets Greater Than Zero? (If The District's 5 Year % Change In Students Was 10% More)	Yes	Yes
3	Were There No Disclosures In The Annual Financial Report And/or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?	Yes	Yes
4	Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?	Yes	Yes
5	Was There An Unqualified Opinion in Annual Financial Report?	Yes	Yes
6	Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?	Yes	Yes
7	Did The District's Academic Rating Exceed Academically Unacceptable?	N/A	5
8	Was The Three Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?	5	5
9	Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?	5	5
10	Were Debt Related Expenditures (Net Of IFA And/or EDA Allotment) < \$350 (< \$250 for 2007-08) Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)	5	5
11	Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?	5	5
12	Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)	5	5

#	Indicator Description	2009-2010	2009-2010
13	Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?	5	5
14	If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)	5	5
15	Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivable) In The General Fund Greater Than Or Equal To 1:1? (If Deferred Revenues Are Less Than Net Delinquent Taxes Receivable)	5	5
16	Was The Administrative Cost Ratio Less Than The Threshold Ratio?	5	5
17	Was The Ratio Of Students To Teachers Within The Ranges Shown Below According To District Size?	5	5
18	Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?	5	5
19	Was The Total Fund Balance In The General Fund More Than 50% And Less Than 150% Of Optimum According To The Fund Balance And Cash Flow Calculation Worksheet In The Annual Financial Report?	N/A	5
20	Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years? (Or If Total Revenues > Operating Expenditures In The General Fund, Then District Receives 5 Points)	5	5
21	Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?	5	5
22	Were Investment Earnings In All Funds (Excluding Debt Service Fund And Capital Projects Fund) More Than \$20 Per Student?	N/A	0
23	Were Investment Earnings In All Funds (Excluding Debt Service Fund And Capital Projects Fund) Meet or Exceed the 3-month Treasury Bill Rate?	5	N/A

**DETERMINATION OF RATING**

A. Did the District Answer 'No' To Indicators 1, 2, 3 OR 4? **OR** Did the District Answer 'No' To Both 5 and 6? If So, The District's Rating Is **Substandard Achievement**.

B. Determine Rating by Applicable Range for Summation of Indicator Scores (Indicators 7-20):

<b>Superior Achievement</b>	64-70
<b>Above Standard Achievement</b>	58-63
<b>Standard Achievement</b>	52-57
<b>Substandard Achievement</b>	< 52

**INDICATOR 17 & 18 RATIOS**

**Indicator 17**

Ranges for Ratios

District Size - Number of Students Between	Low	High
< 500	7	22
500-999	10	22
1000-4999	11.5	22
5000-9999	13	22
=> 10000	13.5	22

**Indicator 18**

Ranges for Ratios

District Size - Number of Students Between	Low	High
< 500	5	14
500-999	5.8	14
1000-4999	6.3	14
5000-9999	6.8	14
=> 10000	7.0	14

*A “Negative Response” to any of the first Four indicators results in the district receiving a rating of “Substandard Achievement”*

**1. Was the Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero in the General Fund?**

School districts must legally have a fund balance to ensure adequate funding for operations. This indicator is designed to ensure that the district has a positive amount of fund balance cash (savings) that is not designated or “reserved” for a specific purpose. In other words, “Does our district have funds set aside for a rainy day?”

McAllen ISD’s unassigned fund balance in the General Fund at June 30, 2011 was \$33,785,944. The previous year was \$26,760,456.

**2. Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Grater than Zero? (If The District’s 5 Year % Change In Students Was 10% Increase or More then Answers Yes)**

This indicator asks, “Did the district’s total assets exceed the total amount of liabilities?” 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.

McAllen ISD’s Unrestricted Net Asset Balance was \$39,312,699 at June 30, 2011.

**3. Were There No Disclosures In The Annual Financial Report And/or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?**

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

McAllen ISD met bonded indebtedness obligations.

**4. Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?**

The District’s Annual Financial Report was filed with the Texas Education on November 15, 2011.

**5. Was There An Unqualified Opinion in The Annual Financial Report?**

A “qualification” on the District’s financial report would have meant that corrections were needed in some of our reporting or financial controls. A district’s goal, therefore, is to receive an “unqualified opinion” on its Annual Financial Report.

The opinion expressed by the District’s independent auditors on the June 30, 2011, Annual Financial Report was unqualified, a clean opinion.

**6. Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?**

A clean audit of the District’s Annual Financial Report would state that the District has no material weakness 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.

No material weaknesses in internal controls were reported in the 2010-2011 Annual Financial Report.

*A “Negative Response” to both the fifth & sixth critical indicators results in the district receiving a rating of “Substandard Achievement”*

**7. Was The Three Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?**

This indicator measures the District's success in collecting the taxes owed by the community businesses and homeowners, placing a 98% minimum collections standard. The District must collect based upon a three-year average more than 98% of taxes, including any delinquent taxes owed from past years.

McAllen ISD's percentage of tax collections for 2010-2011 was 101.88% and for 2009-2010 was 102.56%.

**8. Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?**

This indicator measures the quality of data reported to PEIMS and in the District's 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 3 % or more the District "fails" this measure.

McAllen ISD's data quality measure was 0 percent.

**9. Were Debt Related Expenditures (Net Of IFA And/or EDA Allotment) < \$350 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)**

This indicator shows the Legislature's intent for school districts to spend money on education, rather than buildings, by limiting the amount of money the District can spend on debt to \$350 per student. However, the Legislature did allow for fast-growth school districts to exceed this cap.

McAllen ISD's debt-related expenditures for the 2010-2011 school years were \$312.12 per student. Debt-related expenditures for the school year 2009-2010 were \$344.32.

**10. Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?**

No disclosure means that the Annual Audit Report includes no disclosure indicating that the school district failed to comply with laws, rules and regulations for the a government entity.

McAllen ISD had no disclosures of material noncompliance.

**11. Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)**

Did TEA take over control of the district due to financial issues such as fraud or having a negative fund balance?

McAllen ISD had full accreditation status.

**12. Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?**

Did the District overspend the budget? The District will receive a negative rating on this measure if the total expenditures and other uses for the fiscal year exceeded the total funds available.

McAllen ISD's total revenues, other resources and fund balance exceeded expenditures and other uses by \$28,445,023 in the General Fund for the year ended June 30, 2011. In 2009-2010 this amount was \$13,486,086.

**13. If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)**

Did the District overspend on school buildings or other capital projects? This indicator measures the District's ability to construct facilities without damaging the Fund Balance.

McAllen ISD's fund balance in the General Fund was \$41,597,453 and the Capital Projects Fund had a balance was \$0 for an aggregate amount of \$41,597,453 at June 30, 2011. In 2009-2010 the fund balance in the General Fund was \$28,381,818 and the Capital Projects Fund was \$0, for an aggregate amount of \$28,381,818.

**14. Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivables) In The General Fund Greater Than Or Equal To 1:1? (If Deferred Revenues Are Less Than Net Delinquent Taxes Receivable)**

This indicator measures whether or not the District has sufficient cash and investments to offset Fund Balance monies such as TEA overpayments (deferred revenues). In other words, the District should have fund balance monies of its own that are at least equal to those dollars that are there due to overpayments from TEA, and should not be spending “next year’s” monies this year.

McAllen ISD’s cash and investments in the General Fund were \$36,011,850 for year ended June 30, 2011, which was sufficient to cover deferred revenues. In 2009-2010 the cash and investment amount was \$23,241,118.

**15. Was The Administrative Cost Ratio Less Than The Threshold Ratio?**

TEA and state law set a cap on the percentage of the budget that Texas school districts can spend on administration based on district size. For districts in McAllen ISD’s category, the administrative cost ratio should fall below 11.05%.

McAllen ISD’s ratio for the 2010-2011 was 5.87%. In 2009-2010 this ratio was 6.09%.

**16. Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?**

This indicator measures the District’s pupil-teacher ratio to ensure that it is within TEA-recommended ranges for districts of comparable student population range. A district like McAllen ISD with a population greater than 10,000 should have no more than 22 students per teacher and no fewer than 13.5 students per teacher.

District Size- No. of Students	Ranges for Ratio	
	Low	High
<500	7	22
500- 999	10	22
1,000- 4,999	11.5	22
5,000- 9,999	13	22
=> 10,000	13.5	22

McAllen ISD had 15.69 students per teacher for the school year 2010-2011. In 2009-2010 this ratio was 14.93.

**17. Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?**

This indicator measures the District’s pupil-staff ratio to ensure that it is within TEA-recommended ranges for districts of comparable student population range. A district like McAllen ISD with a population greater than 10,000 students should have no more than 14 students per staff member and no fewer than 7 students per staff member.

District Size- No. of Students	Ranges for Ratio	
	Low	High
<500	5	14
500- 999	5.8	14
1,000- 4,999	6.3	14
5,000- 9,999	6.8	14
=> 10,000	7.0	14

McAllen ISD had 7.76 students per staff member for the school year 2010-2011. In 2009-2010 this ratio was 7.43.



**18. Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?( If Total Revenues > Operating Expenditures In The General Fund, Then District Receives 5 Points)**

This indicator notes rapid decreases in a district's unassigned Fund Balance (those dollars not designated as "land fund" or "construction fund") or emergency fund. This is an early warning that a district is borrowing to pay for recurring costs that will continue to deplete the district's reserves.

McAllen ISD's 2010-2011 unassigned fund balance increased by \$24,602,926 as compared to 2008-2009. In 2009-2010 the unassigned fund balance increased by \$11,483,216 as compared to 2007-2008.

**19. Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?**

This indicator verifies that the District has cash in the bank and/or investments.

McAllen ISD's General Fund cash and investments were \$36,011,850 at June 30, 2011 and \$23,241,118 at June 30, 2010.

**20. Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury bill Rate?**

This indicator measures if the district is investing its funds wisely.

McAllen ISD's investment earnings rate was .342% exceeded the 3-month Treasury Bill rate of .095% for the school year ended June 30, 2011.

# McALLEN INDEPENDENT SCHOOL DISTRICT

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