

Brazosport
Independent School District

**2022 Annual Financial
Management Report –
School FIRST**

For the Year Ending August 31, 2021



**Danny Massey,
Superintendent of Schools**

**Rebecca Kelley,
Chief Financial Officer**

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHOOL FIRST REPORT**

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Introduction

During the 77th regular session of the Texas Legislature (2001), Senate Bill 218 was passed and signed it into law shortly thereafter. This law requires every school district to prepare an annual financial accountability report. The primary goal of School FIRST is to improve the management of school districts' financial resources. The primary objective of the rating system is to assess the quality of financial management in Texas public schools. A secondary objective is to measure and report the extent of which financial resources in Texas public schools assure the maximum allocation possible for direct instructional purposes. Other objectives reflect the implementation of a rating system that fairly and equitably evaluates the quality of financial management decisions. Ratings are based on analysis of staff and student data and on budgetary and actual financial data for the fiscal year.

Many business-related issues are covered in this report. The primary reporting tool, however, is the Financial Accountability Ratings Worksheet. Representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO) developed this worksheet. It is administered by TEA and calculated on information submitted to the Agency via our PEIMS submission each year and other documentation procured by TEA. The accuracy of PEIMS data has always been critical on the student side of the submission, and this reporting requirement adds a high degree of importance to our finance submission each year.

Starting in the 2005-06 fiscal year, the financial management report issued at the School FIRST hearing must contain certain required disclosures, in accordance with Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules concerning Financial Accountability Rating System. Those disclosures are as follows: (1) a copy of the Superintendent's current employment contract, (2) a summary schedule for the fiscal year of total reimbursements received by the superintendent and each board member, (3) a 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, (4) a summary schedule for the fiscal year of the total dollar amount by the executive officers and board members and board members of gifts that had an economic value of \$250 or more, (5) a summary schedule for the fiscal year of the dollar amount by board member for the aggregate amount of business transaction with the school district.

In 2015, the number of indicators were reduced from 20 to 7 and the State has moved to a "P" for "Passed" or "F" for "Substandard" scoring system versus the various levels of achievement. With fewer indicators the maximum points that a district can earn is 30 vs 70 in prior years.

In 2016, eight indicators were added, increasing the number from 7 to 15 and increasing the total number of possible points from 30 to 100. Also, the rating system scale was changed to an A – F grading system from a Pass or Substandard Achievement rating.

Brazosport ISD's rating under School FIRST for the year ended August 31, 2021 was A- "Superior Achievement," with a score of 96 of 100 or 96 percent. This report briefly describes the data used to calculate the rating and what each indicator means.



Financial Integrity Rating System of Texas

**2019-2020 RATINGS BASED ON SCHOOL YEAR 2018-2019 DATA -
DISTRICT STATUS DETAIL**

Name: BRAZOSPORT ISD(020905)	Publication Level 1: 8/6/20 9:26:37 AM
Status: Passed	Publication Level 2: 8/6/2020 11:17:34 AM
Rating: A = Superior	Last Updated: 8/6/2020 11:17:34 AM
District Score: 100	Passing Score: 60

#	Indicator Description	Updated	Score
1	<u>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?</u>	7/12/2022 8:27:44 AM	Yes
2	<u>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.)</u>	5/16/2022 9:42:18 AM	Yes
3	<u>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</u>	5/16/2022 9:42:19 AM	Yes

	<u>between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u>		
4	<u>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.)</u>	5/16/2022 9:42:19 AM	Yes Ceiling Passed
5	This indicator is not being scored.		

6	<u>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.)</u>	5/17/2022 9:36:52 AM	Ceiling Passed
7	<u>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)? See ranges below in the Determination of Points section.</u>	5/16/2022 9:42:20 AM	10
8	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? See ranges below in the Determination of Points section.</u>	5/16/2022 9:42:20 AM	10
9	<u>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</u>	5/16/2022 9:42:21 AM	10

	<u>greater than or equal to 60 days? See ranges below in the Determination of Points section.</u>		
10	This indicator is not being scored.		10
11	<u>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. See ranges below in the Determination of Points section.</u>	5/16/2022 9:42:22 AM	8
12	<u>Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? See ranges below in the Determination of Points section.</u>	5/16/2022 9:42:22 AM	8
13	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? See ranges below in the Determination of Points section.</u>	6/9/2022 10:47:23 AM	10
14	<u>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.</u>	5/16/2022 9:42:23 AM	10
15	This indicator is not being scored.		5
16	<u>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.)</u>	5/16/2022 9:42:24 AM	Ceiling Passed
17	<u>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</u>	5/16/2022 9:42:24 AM	Ceiling Passed

	<u>17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.)</u>		
18	<u>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.)</u>	5/16/2022 9:42:25 AM	10
19	<u>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?</u>	5/16/2022 9:42:25 AM	5
20	<u>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, B = Above Standard Achievement.)</u>	5/16/2022 9:42:25 AM	Ceiling Passed
			96 Score

DETERMINATION OF RATING

A.	Did the district answer 'No' to Indicators 1, 3, 4, 5, or 2.A? If so, the school district's rating is F for Substandard Achievement regardless of points earned.	
B.	Determine the rating by the applicable number of points. (Indicators 6-15)	
	A = Superior	90-100
	B = Above Standard	80-89
	C = Meets Standard	60-79
	F = Substandard Achievement	<60

RATING:

SUPERIOR ACHIEVEMENT

Overview of the Worksheet

Indicator # 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?

Brazosport ISD’s Annual Financial Report for the fiscal year ended August 31, 2021 was filed with the Texas Education Agency before the deadline date in January 2022.

Indicator # 2 – 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 Brazosport ISD’s independent auditor on the August 31, 2021 Annual Financial Report was unmodified which means it is a clean audit. A “modification” on our financial report would have meant that corrections were needed in reporting of financial controls.

Indicator # 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 debt obligations issued to pay for school construction and the like.

Brazosport ISD has had no instances of default on bonded indebtedness obligations.

Indicator # 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.)

This indicator simply asks, “Did the District meet the various timelines for payments to various governmental agencies?”

Brazosport ISD made timely payments to all listed governmental agencies.

Indicator # 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 is not being scored.

Indicator # 6 - 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.)

The District’s average change in fund balance did not decrease over a 3 year period and assigned and unassigned fund balance exceeded 75 days of operational expenditures.

Indicator # 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)? (See ranges below.)

To receive the maximum of 10 points, districts must have enough cash and equivalents to cover at least 90 days of expenditures. Brazosport ISD had enough to cover 232 days.

Indicator # 8 – Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?

To receive the maximum of 10 points, districts current assets must be 3 times greater than current liabilities. Brazosport ISD’s ratio of current assets to current liabilities was 5.3055 earning 10 points for this indicator.

Indicator # 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?

The District met the acceptable days of cash on hand earning 10 points.

Indicator # 10 - Did the school district average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?

This indicator was not scored.

Indicator # 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 change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.)

To receive the maximum of 10 points, districts’ ratio of long term liabilities to total assets must be no greater than .60. Brazosport ISD’s ratio of long-term liabilities to total assets was .6278 earning 8 points for this indicator.

Indicator # 12 - Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? See ranges below in the Determination of Points section.

To receive the maximum of 10 points, districts’ debt per \$100 of assessed property value ratio must be no greater than 4. TEA used the District’s M&O taxable values in this calculation which yields Brazosport ISD’s debt per \$100 of assessed property value ratio at 4.3017 earning 8 points for this indicator. While most districts have an M&O value that is also the same as their I&S value, Brazosport ISD has several value limitation agreements that total 10.8 billion and an I&S value of 20.59 billion. It is the I&S value that is levied and should be used in this calculation to get an accurate ratio for measuring debt per \$100 of assessed property value. Using the correct I&S value, the district would have received a 2.03 ratio and received the full 10 points.

Indicator # 13 – Was the school district’s administrative cost ratio equal to or less than the threshold ratio?

TEA and state law sets a cap on the percentage of their budget that Texas school districts can spend on administration based on district size. For districts in Brazosport ISD size category, the administrative cost ratio should fall below 8.55 percent. Brazosport’s ratio for the year was 7.29 percent, well below the state cap. Brazosport ISD earned 10 out of 10 points on this indicator.

Indicator # 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.)

Enrollment decreased from 12,417 in 2019 to 11,424 in 2021. Total number of staff grew from 1,760 to 1,842 over the same period. District received 10 points.

Indicator # 15 - Was the school district's 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? See ranges below in the Determination of Points section.

This indicator was not scored.

Indicator # 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.)

This indicator measures the quality of data reported to TEA through the Public Education Information Management System (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.

Brazosport ISD’s data quality measure was 0%, which fell well below the allowable 3% variation.

Indicator # 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 weakness.) (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.)

Brazosport ISD’s external auditors reported no material weaknesses in internal controls.

Indicator # 18 – 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.)

Brazosport ISD’s external auditors reported no material noncompliance.

Indicator # 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?

Brazosport ISD posted all required financial information on its website.

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

Yes, Brazosport ISD school board members did discuss district’s property values at a Board meeting before the district adopted its budget.

Financial Integrity Rating System of Texas

OVERALL STATISTICS

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2020-2021 STATUS COUNTS

Status	Count	% Total	Enrollment	% Total Enrollment
Passed	1,013	99.41 %	4,983,570	99.81 %
Failed	6	0.59 %	9,404	0.19 %
Total	1,019	100.00 %	4,992,974	100.00 %

2020-2021 RATING COUNTS

Ratings	Count	% Total	Enrollment	% Total Enrollment
A = Superior Achievement	890	87.34 %	4,285,422	85.83 %
B = Above Standard Achievement	87	8.54 %	389,790	7.81 %
C = Meets Standard Achievement	36	3.53 %	308,358	6.18 %
F = Substandard Achievement	6	0.59 %	9,404	0.19 %
Total	1,019	100.00 %	4,992,974	100.00 %

2020-2021 ALL RESULTS BY INDICATOR

Indicator	Result	Count	% of Districts	Enrollment	% Total Enrollment
1	Yes	1016	99.71 %	4985765	99.86 %
	No	3	0.29 %	7209	0.14 %
2	Yes	1018	99.90 %	4988437	99.91 %
	No	1	0.10 %	4537	0.09 %
3	Yes	1019	100.00 %	4992974	100.00 %

	No	0	0.00 %	0	0.00 %
4	Yes	1018	99.90 %	4988437	99.91 %
	No	1	0.10 %	4537	0.09 %
6	Yes	1001	98.23 %	4969050	99.52 %
	No	18	1.77 %	23924	0.48 %
7	10	946	92.84 %	4554823	91.22 %
	8	25	2.45 %	209652	4.20 %
	6	17	1.67 %	81789	1.64 %
	4	15	1.47 %	77253	1.55 %
	2	9	0.88 %	57351	1.15 %
	0	7	0.69 %	12106	0.24 %
8	10	841	82.53 %	3320365	66.50 %
	8	81	7.95 %	888323	17.79 %
	6	49	4.81 %	376178	7.53 %
	4	33	3.24 %	319011	6.39 %
	2	11	1.08 %	82191	1.65 %
	0	4	0.39 %	6906	0.14 %
9	10	1008	98.92 %	4940112	98.94 %
	0	11	1.08 %	52862	1.06 %
10	10	1019	100.00 %	4992974	100.00 %
11	10	835	81.94 %	2933037	58.74 %
	8	100	9.81 %	1001776	20.06 %
	6	51	5.00 %	595180	11.92 %

	4	21	2.06 %	349764	7.01 %
	2	9	0.88 %	96174	1.93 %
	0	3	0.29 %	17043	0.34 %
12	10	730	71.64 %	2870355	57.49 %
	8	218	21.39 %	1690489	33.86 %
	6	53	5.20 %	386161	7.73 %
	4	6	0.59 %	8769	0.18 %
	2	8	0.79 %	24138	0.48 %
	0	4	0.39 %	13062	0.26 %
13	10	825	80.96 %	4227362	84.67 %
	8	134	13.15 %	677014	13.56 %
	6	34	3.34 %	60562	1.21 %
	4	12	1.18 %	15629	0.31 %
	2	6	0.59 %	10542	0.21 %
	0	8	0.79 %	1865	0.04 %
14	10	950	93.23 %	4954169	99.22 %
	0	69	6.77 %	38805	0.78 %
15	5	1019	100.00 %	4992974	100.00 %
16	Yes	1005	98.63 %	4964871	99.44 %
	No	14	1.37 %	28103	0.56 %
17	Yes	995	97.64 %	4743127	95.00 %
	No	24	2.36 %	249847	5.00 %
18	10	990	97.15 %	4973767	99.62 %

	0	29	2.85 %	19207	0.38 %
19	5	1016	99.71 %	4988179	99.90 %
	0	3	0.29 %	4795	0.10 %
20	Yes	1017	99.80 %	4988120	99.90 %
	No	2	0.20 %	4854	0.10 %

2020-2021 ANSWERS BY INDICATOR

Indicator	Yes	No	10	8	6	5	4	2	0	Total
1	1016	3	x	x	x	x	x	x	x	1019
2	1018	1	x	x	x	x	x	x	x	1019
3	1019	x	x	x	x	x	x	x	x	1019
4	1018	1	x	x	x	x	x	x	x	1019
6	1001	18	x	x	x	x	x	x	x	1019
7	x	x	946	25	17	x	15	9	7	1019
8	x	x	841	81	49	x	33	11	4	1019
9	x	x	1008	x	x	x	x	x	11	1019
10	x	x	1019	x	x	x	x	x	x	1019
11	x	x	835	100	51	x	21	9	3	1019
12	x	x	730	218	53	x	6	8	4	1019
13	x	x	825	134	34	x	12	6	8	1019
14	x	x	950	x	x	x	x	x	69	1019
15	x	x	x	x	x	1019	x	x	x	1019
16	1005	14	x	x	x	x	x	x	x	1019
17	995	24	x	x	x	x	x	x	x	1019

18	x	x	990	x	x	x	x	x	29	1019
19	x	x	x	x	x	1016	x	x	3	1019
20	1017	2	x	x	x	x	x	x	x	1019