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Areas of Focus (#4) within Board Goals: Operational Excellence:

Vision Statement: A well equipped, trained, and qualified operational staff will work seamlessly with campus and district faculty to create and sustain a safe, clean, and functional campus for our students, staff, and community.

Goal: We will recruit and train qualified personnel for the purpose of creating a safe educational environment for our students. With the proper training, operational staff will be invested in and contribute to positive student outcomes.

Reported on October 12, 2026

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School Financial Integrity Rating System of Texas

Annual Financial Management Report

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What is School FIRST?

Beginning with the 2001-02 fiscal year, the **financial health** of every school district in Texas is **evaluated** as part of the financial accountability system known as Schools **FIRST**.

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 and amendments under House Bill 5, 83rd Texas Legislature, Regular Session, 2013.

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Primary Goal/Development

- The **primary goal** is to **achieve quality performance** in the management of school districts' financial resources.

- First provides **accountability** for Texas Public Schools on the **quality** of their financial management practices and that they improve these practices.

- Designed to **encourage** Texas Public Schools to **better manage** their financial resources to provide the maximum allocation possible for direct instructional purposes.

- The **2025-26** School FIRST rating is based upon an analysis of staff and student data reported for the **2024-2025** school year, and budgetary and actual financial data for the fiscal year ended **August 31, 2025**.

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How Ratings are Assessed

The School First accountability rating system assigns four possible financial accountability ratings to Texas school districts.

A = Superior 90-100 points

B = Above Standard 80-89 points

C = Meets Standard 60-79

F = Substandard Achievement <60

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Palacios ISD School District's FIRST Rating

Palacios Independent School District received a rating of

A = Superior (Scoring 94 out of 100 points)

The "Superior" rating is the state's highest, demonstrating the quality of Palacios ISD's financial management and reporting system.

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Indicator Categories

CRITICAL INDICATORS (1-4) Pass/Fail Outcome

Failure to meet the requirements of a “Critical Indicator” will cause a school district to fail FIRST for the applicable year.”

SOLVENCY INDICATORS (5-15)

FINANCIAL COMPETENCY INDICATORS (16-21) Credit is earned for these indicators either on a scale score of 1-10 or pass/fail threshold.

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Indicator # 1

Was the complete annual financial report (AFR) and data submitted to the TEA on or before February 27, 2026?

YES

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Indicator # 2

Was there an unmodified opinion in the AFR on the financial statements as a whole?

YES

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Indicator # 3

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

YES

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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?

YES

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Indicator # 5

Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest and premiums for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero?

Passed

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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?

Passed

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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)?

10 Points

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Indicator # 8

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

8 Points

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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?

10 Points

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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?

10 Points

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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 increase of students in membership over 5 years was 7 percent or more or 1,000 or more students in membership, then the school district passes this indicator.)

6 Points

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Indicator # 12

What is the correlation between future debt requirements and the district's assessed property value?

10 Points

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Indicator # 13

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

10 Points

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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.)

10 Points

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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.

5 Points (max points)

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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?

Passed

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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?

Passed

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Indicator # 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?

10 Points

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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?

5 Points (max points)

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Indicator # 20

Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?

Passed

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Indicator # 21

Did the school district 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?

Passed

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Questions?

Questions regarding PISD's FIRST Report/Rating?

Contact:

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