

WEST ISD

SCHOOL FINANCIAL INTEGRITY RATING
SYSTEM OF TEXAS

PUBLIC HEARING

OCTOBER 10, 2007

SUPERIOR RATING

What is the School Financial Integrity Rating System of Texas (FIRST)?

Senate Bill (SB) 218 of the 77th Legislature (2001) authorized the implementation of a financial accountability rating system, which is referred to as FIRST. The primary goal of the FIRST report is to improve the management of school districts' financial resources. School FIRST was developed in consultation with the Comptroller of Public Accounts and used comments from school district and regional education service center personnel.

The Financial Accountability Rating System of Texas ensures that school district 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 possible for direct instructional purposes.

West ISD has had a Superior Rating every year.

What data is used for this FIRST report?

The school district's School FIRST rating is based upon an analysis of staff and student data reported for the 2005-2006 school year and budgetary and actual financial data for the 2005-2006 fiscal year for the district. West ISD's fiscal year ends on August 31.

How does FIRST work?

The FIRST rating is designed to show that schools are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently.

The FIRST rating system assigns one of four financial accountability ratings to Texas school districts based on 21 indicators. The ratings are as follows:

Superior Achievement—the highest
Above-Standard Achievement
Standard Achievement
Substandard Achievement.

Districts with serious data quality problems may receive the additional rating of “Suspended—Data Quality”.

What determines a district's rating?

Ratings are determined based on the number of indicators that a district responds to negatively.

If the District answered “No” to indicators 1 (fund balance greater than zero), 2 (no disclosures in the annual audit), or 3 (annual audit filed on time) the District automatically receives a “Substandard Achievement” rating. If the District answered “No” to both indicators 4 (unqualified opinion on the audit) and 5 (material weakness in Internal Controls), they would automatically receive a “Substandard Achievement” rating.

<u>District Rating</u>	<u># of indicators answered no</u>
Superior Achievement	0-2
Above-Standard Achievement	3-4
Standard Achievement	5-6
Substandard Achievement	7+ or on of the indicators listed above

What are the indicators and what do they mean?

1. Was the total Fund Balance less Reserved 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 your district has a positive amount of fund balance cash (savings) that is not designated or reserved for a specific purpose. In other words, “Does your district have funds set aside for a rainy day?” For example, in the last few years, we have not received our August state money until September. If we did not have an adequate fund balance, we would have had to borrow to meet our August payroll.

West ISD’s answer to this indicator was yes and our amount was \$4,231,222. This was higher than the previous year allowing us to do substantial work in the District during the 2006-2007 year.

2. Were there NO disclosures in the Annual Report and/or other sources of information concerning default on bonded indebtedness obligations?

This indicator seeks to make certain that your district has paid your bills/obligations on bonds issued to pay for school construction, etc.

West ISD's answer to this question is yes. We had no disclosures.

3. Was the Annual Financial Report filed with one month after the November 27 or January 28 deadline depending upon the district's Fiscal Year end date (June 30 or August 31)?

This indicator is to make sure we filed our audit on time with TEA.

West ISD's answer was yes. Our report was due by January 28 and was filed on January 21, 2007. Since we are the Fiscal Agents for Rio Brazos Cooperative, we were delayed in receiving our final audit. We were still able to submit in a timely manner.

4. Was there an Unqualified Opinion in the Annual Financial Report?

A “qualification” on your financial report means that you need to correct some of your reporting or financial controls. A district’s goal, therefore, is to receive an unqualified opinion on its Annual Financial Report. This is a “Yes” or “No” indicator.

West ISD’s answer to this question was “Yes”.

5. Did the Annual Financial Report NOT disclose any instance(s) of material weakness in internal controls?

A clean audit of your Annual Financial Report would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed.

West ISD’s answer to this question was yes.

6. Was the percent of total tax collections (including delinquent) greater than 96 percent?

This indicator measures your district's success in collecting the taxes owed to you by your community's businesses and homeowners, placing a 96 percent minimum collections standard. You must collect 96 percent or more of your taxes, **including** any delinquent taxes owed from past years.

West ISD's answer to this question was "Yes". Our total tax collection rate for the 2005-2006 fiscal year was 100.61 percent. This is up from the prior year of 98.49.

7. Did the comparison of PEIMS data to like information in the Annual Financial Report result in an aggregate variance of less than 4 percent of expenditures per fund type (Data Quality Measure)?

This indicator measures the quality of data reported to PEIMS (Public Education Information Management System) and in your Annual Audit 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 4 percent, your district “fails” this measure.

West ISD’s answer to this question “Yes”. Our variance was 1 percent. This is down slightly from our variance in the prior year. We have met this requirement every year that the FIRST report has been in place.

8. Were Debt-Related Expenditures (net of Instructional Facilities Allotment-IFA- and/or Existing Debt Allotment-EDA- less than \$770.00 per student?

This indicator show the Legislature's intent for school districts to spend money on education, rather than on buildings, by limiting the amount of money district's can spend on debt to \$770 per student. The Legislature did make allowances for fast growth and property wealth districts.

West ISD's answer to this question was "Yes". Our debt-related expenditures were \$309.6951 per student. The IFA and EDA are designed to provide State funding for facilities and debt to property poor districts. If West ISD had not received these allotments, our expenditures would have been \$669.95 per student, still under the acceptable level.

9. Was there NO disclosure in the Annual Audit Report of Material Noncompliance?

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

West ISD's answer to this question was "Yes". We did not have any material disclosures.

10. Did the district have full accreditation status in relation to financial management practices? (i.e. no master or monitor assigned)

This means that the Texas Education Agency has not taken over control of our district due to financial issues such as fraud or having a negative fund balance. If they have NOT, you pass this indicator and would have a “Yes” answer.

West ISD’s answer was “Yes”.

11. Was the percentage of Operating Expenditures expended for Instruction more than 54 percent?

This indicator is to show your district's ability to focus the majority of its funding so that it directly pays for student instruction. Only items such as salaries of classroom teachers and classroom supplies qualify as "Instruction" expenditures (Function 11) in this calculation.

West ISD's answer was "No". We spent 52.87 percent. This did not include the money that we send to Rio Brazos Education Coop to pay for the Special Education teachers, aides and supplies. It does not include the money spent for our Alternative School. The Instructional percentage does not include expenses for librarians, counselors, athletics, band and other physical education equivalents, teacher and principal staff development. With these expenses, we reached 75% spent on Instruction and Instructional related expenses.

12. Was the aggregate of Budgeted Expenditures and Other Uses LESS THAN the aggregate of Total Revenues, Other Resources and Fund Balance in the General Fund?

Basically this means, did you overspend your budget. The District will receive a negative rating on this measure if your total expenditures and other uses for the fiscal year exceeded your total funds available. If it appears that the District planned to keep spending until it has a negative fund balance, the District would receive the lowest School FIRST rating. This would show that the District was spending more on everyday expenses than money available.

West ISD's answer to this question was "Yes".

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? (Were construction projects adequately financed or adjusted by change orders or other legal means to avoid creating or adding to the fund balance situation?)

It is asking if the District over spent on school buildings or other capital projects. This indicator measures your district's ability to construct facilities without damaging your Fund Balance.

West ISD passed this indicator since our Fund Balance was greater than zero at \$4,231,222.

14. Was the ratio of Cash and Investments to Deferred Revenues (excluding amount equal to new Delinquent Taxes Receivable) in the General Fund greater than or equal to 1: 1? (If Deferred Revenues are less than Delinquent Taxes Receivable, then answer this indicator “Yes”.)

This indicator measures whether or not your district has sufficient cash and investments to balance Fund Balance monies such as TEA overpayments (deferred revenues). The District should have fund balance monies of its own that are at least equal to those dollars that are due to overpayments from TEA and you should not be spending “next year’s” monies this year. The District would want to answer “Yes”.

West ISD’s answer was “Yes”.

15. Was the Administrative Cost Ratio less than the standard in State Law?

TEA and the state law sets a cap on the percentage of the budget that Texas school districts can spend on administration.

West ISD's answer to this question was "Yes". West ISD's administrative cost ratio was 9.13 percent, well below the state's acceptable ratio. The prescribed acceptable ratio from the state for a district our size was 14.01 percent.

16. Was the ratio of Student to Teachers within the ranges shown below according to District size?

<u>District size-number of student between</u>	<u>Ranges for ratios</u>	
	<u>Low</u>	<u>High</u>
<500	7	22
500-999	10	22
1,000-4,999	11.5	22
5,000-9,000	13	22
>10,000	13.5	22

This indicator measures your pupil-teacher ratio to ensure that it is within TEA recommended ranges for districts of your student population range.

West ISD's answer to this question is "Yes". Our student-teacher ratio was 15.981 to 1. This is a lower student to teacher ratio than the previous year.

17. Was the ratio of Student to Total Staff within the ranges shown below according to district size?

<u>District size-number of student between</u>	<u>Ranges for ratios</u>	
	<u>Low</u>	<u>High</u>
<500	4	14
500-999	5.5	14
1,000-4,999	6	14
5,000-9,000	6.5	14
>10,000	6.6	14

This indicator measures the pupil-staff ratio to ensure that it is within TEA recommended ranges for districts of your student population range.

West ISD's answer to this question was "Yes". Our student-staff ratio was 8.4409 to 1. This ratio is smaller than the previous year even though we added Rio Brazos staff to ours for two months. The range for a district our size is 6 to 14.

18. Was the Total Fund Balance in the General Fund more than 50 percent and less than 150 percent of Optimum according to the Fund Balance and Cash Flow Calculation Worksheet in the Annual Financial Report?

Exhibit A (Exhibit J-2 in our audit) in our district's audit provides an optimum General Fund "Fund Balance" for our district. Our district should have no less than one-half and more than one and one-half times this amount in your Fund Balance, counting both reserved and unreserved fund balances.

West ISD's answer to this question was "Yes". Our optimum fund balance per our audit was \$4,674,915. Our acceptable fund balance range is between \$1,806,295.50 and \$5,418,886.50. Our fund balance was \$4,231,222.

19. Was the decrease in Undesignated Fund Balance less than 20 percent over two Fiscal Years? (If 1.5 times Optimum Fund Balance in the General Fund or if Total Revenues exceeded Operating Expenditures in the General Fund, then answer this indicator “Yes”.)

This is to see if you are “living off of your Fund Balance” to pay for salaries or other district operating expenses because of lack of revenues. This indicator notes rapid decreases in your undesignated Fund Balance. This Fund Balance should be for land acquisitions, construction, emergency expenditures or one-time necessary expenditures.

West ISD’s answer to this question was “Yes”. We did not have a decrease in our Undesignated Fund Balance.

20. Was the Aggregate Total of Cash and Investments in the General Fund more than \$0?

This indicator is to answer if the District has cash in the bank and/or investments.

West ISD's answer to this question is "Yes". Our total cash/investments in the General Fund were \$ 3,163,926. This is an increase of \$124,660 from the previous year. This is different from the Fund Balance as we are on an accrual method.

21. Were Investment Earnings in all funds more than \$15 per student?

This indicator is asking if the District is using their cash or reserve fund (Fund Balance) monies wisely?

West ISD's answer to this question was "Yes". Our investment earnings in all funds were \$155.339 per student. This is up from \$73.0631 the previous year and \$24.323 from the year prior to that.

West ISD received a rating of SUPERIOR ACHIEVEMENT.

We passed all but one indicator. This was the one on Instructional expenditures and we missed it by 1.13 percent. Instructional expenses did not include expenditures made to Rio Brazos Education Coop for Instruction or the Alternative Schools. The Instructional percentage does not include expenses for librarians, counselors, athletic and band physical education or school administration that provides instruction to students. In future years, there will be two indicators for this area. One will only be Function 11-Instruction and the other will include librarians, athletics, band and other PE equivalents along with some of the expenditures for Rio Brazos and Alternative School.

West ISD's rating was in the top 91.30% of the Districts in the State of Texas.

2005-2006 Rating Counts

Ratings	STATEWIDE	
	Count	% Total
Superior Achievement	944	91.30%
Above Standard Achievement	62	6.00%
Standard Achievement	3	0.29%
Substandard Achievement	24	2.32%
Suspended Due to Data Quality	1	0.10%
Total	1,034	100.00%

Other Required Information

The annual financial report must also include the following descriptive information required by the commissioner of education, including the following:

- A copy of the superintendent's current employment contract
- A summary schedule for the fiscal year of total reimbursement received by the superintendent and each board member. The summary schedule shall separately report reimbursements for meals, lodging, transportation, motor fuel and other items.
- 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.
- A summary schedule for the fiscal year of the total dollar amount by the executive officers and board members and required family members of gifts that had an economic value of \$250 or more in the aggregate in the fiscal year.
- A summary schedule for the fiscal year of the dollar amount by board members of business transactions with the school district.

Compensation Received by the Superintendent Outside the School District

No compensation and/or fees were reported received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services.

Gifts with an Economic Value of \$250 or More in the Aggregate

No gifts were reported by the superintendent and board members or required family members that had an economic value of \$250 or more in the aggregate in the fiscal year.

Board Member Business Transactions with the School District

Business Transactions Between School District and Board Members for Fiscal Year 2006

	Board R. Sykora	Board D. Kolar	Board M. Mynarcik	Board C. Anthony	Board L. Hykel	Board A. Soukup	Board L. Sparks	Board C. Waddell
Summary Amounts	\$5,289.91	\$1,156.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Summary Schedule of Reimbursement to Board Members and Superintendent for 2005-2006

Reimbursements Received by the Superintendent and Board Members for fiscal year 2006
For the Twelve-month period ended August 31, 2006

Description of Reimbursement	Superintendent R. Hart	Board R. Sykora	Board D. Kolar	Board M. Mynarcik	Board C. Anthony	Board L. Hykel	Board A. Soukup	Board L. Sparks	Board C. Waddell
Meals	\$205.43	\$7.75	\$0.00	\$8.75	\$25.98	\$15.95	\$0.00	\$9.95	\$11.95
Lodging	\$1,645.62	\$667.38	\$0.00	\$302.01	\$594.72	\$653.13		\$633.66	\$653.13
Transportation				\$58.00	\$16.00				
Motor fuel									
Other (Registrations)	\$430.00	\$465.00	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00	\$000.00	\$315.00
Total	\$2281.05	\$675.13	\$315.00	\$683.76	\$951.70	\$984.08	\$315.00	\$643.61	\$980.08

For additional information, please contact:

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