

WEST ISD

SCHOOL FINANCIAL INTEGRITY RATING
SYSTEM OF TEXAS

PUBLIC HEARING

OCTOBER 8, 2008

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 a 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.

This year's ratings introduce the 24 indicator of the School FIRST system. There had been a 21 indicator system in the prior years.

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 2006-2007 school year and budgetary and actual financial data for the 2006-2007 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 24 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 (unrestricted net asset balance greater than zero), 3 (no disclosures in the annual audit), or 4 (annual audit filed on time) the District automatically receives a “Substandard Achievement” rating. If the District answered “No” to both indicators 5 (unqualified opinion on the audit) and 6 (material weakness in Internal Controls), they would automatically receive a “Substandard Achievement” rating.

District Rating

Superior Achievement

Above-Standard Achievement

Standard Achievement

Substandard Achievement

Indicator Scores

75-85 and Yes to indicator 7

65-74 or ≥ 75 and No to indicator 7

55-64

<55 or No to one default indicator (1,2,3,4,5,6)

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 \$3,512,449. This was lower than the previous year due to the large amount of improvements made within the District during the 2006-2007 year.

If a District does not meet this Critical Indicator, it receives a Substandard Achievement rating. Ten of the schools that had this rating or more than half of the total of 18 were because they did not have enough reserve funds or Fund Balance. We have a more than adequate Fund Balance to pass the indicator.

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 % of Change in Students was 10% or more)

This shows that we do not owe more than our assets are worth. A District can pass this in two ways. One is to have a change in students of 10% or more for a 5 year period OR on the Statement of Net Assets net of Accretion on Interest on Capital Appreciation Bonds is greater than zero.

Our Net Assets are greater than zero. We only had a .1 percent change in the number of students between 2003 and 2007.

There were 1,025 schools that passed this indicator and 6 that did not.

3. 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 the district has paid their bills/obligations on bonds issued to pay for school construction, etc.

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

This was the only indicator that was passed by 100% of the Districts that reported.

4. Was the Annual Financial Report filed within 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 completed and filed our audit on time with TEA.

West ISD's fiscal year ends August 31. West ISD's answer was "Yes". Our report was due by January 28 and was filed on December 17, 2007.

This was the second highest reason for the failure of 18 Districts failing the FIRST report. Seven of the Districts failed to meet their deadline including Dallas ISD—the state's second largest District in enrollment.

5. 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 of financial controls or policies. 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”. Only one District failed this indicator.

6. 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 the District not being able to properly account for its use of public funds, and should be immediately addressed. A “Yes” answer is what you want.

West ISD’s answer to this question was “Yes”. There were 46 Districts that failed this indicator.

7. Did the District's Academic Rating Exceed Academically Unacceptable?

If the District was rated Academically Unacceptable, it could be in danger of being a “going concern”. Because of the rating and the number of years it received this rating, it could be closed and students sent to another district.

West ISD received a District rating of Recognized for the year. There were 21 Districts that failed this indicator.

8. Was the Three-Year Average Percent of Total Tax Collections(including Delinquent) greater than 98%?

This indicator measures your district's success in collecting the taxes owed to you by your community's businesses and homeowners, placing a 98 percent for three-year average as the minimum collections standard. You must collect 98 percent or more of your taxes, **including** any delinquent taxes owed from past years.

West ISD's answer to this question was "Yes". We received a 5 on this indicator. Our total tax collection rate for the three year average of 2005, 2006, 2007 fiscal years was 99.56 percent. The collection rate for the 2007 fiscal year was 99.51 percent which is down from the 100.607% for the prior year. On this indicator they were rated as follows: 5-882, 4-133,3-12,2-2, 1-1, 0-1.

9. Did the comparison of PEIMS data to like information in the 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 (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 3 percent, your district “fails” this measure.

West ISD’s answer to this question “Yes”. Our variance was .095 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 even though the percentage allowed continues to decrease. In prior years, a variance of 4 percent was allowed and we were 1 percent. The District’s rate on this was 1,011 passed and 20 failed.

10. Were Debt-Related Expenditures (net of Instructional Facilities Allotment-IFA- and/or Existing Debt Allotment-EDA) less than \$250.00 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 on buildings, by limiting the amount of money districts can spend on debt to \$250 per student. The Legislature did make allowances for fast growth and property wealthy districts as can be seen in the question.

West ISD received a 4 out of a maximum of 5, which means our expenditures were between \$250 and \$500. Our expenditures were \$328.61 per student. In the prior year, the test limit was \$770.00 and this year it has been reduced to \$250.00. In the prior year, 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 \$674.14 per student. The scores of the other Districts in the state on this indicator were 5-665, 4-181, 3-94, 2-47, 1-16, 0-28.

11. 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. There were 1,009 Districts that passed and 22 that failed.

12. 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 or other issues such as fraud, having a negative fund balance or being out of compliance. If they have NOT, you pass this indicator and would have a “Yes” answer.

West ISD’s answer was “Yes”. Of the state’s Districts, 1,027 answered “Yes” and 4 answered “No”.

13. Was the percentage of Operating Expenditures expended for Instruction more than 65 percent? (Functions 11, 36, 93, 95) (Phased in over three years, 55% for 2006-2007, 60% for 2007-2008; and 65% for 2008-2009)

This indicator is to show your district's ability to focus the majority of its funding so that it directly pays for student instruction.

West ISD's answer was "Yes". West received the maximum 3 points on this indicator. We spent 62.26 percent. This year, Districts were required to spend 55% on Instruction. The Instructional percentage does not include expenses for librarians, counselors, and teacher and principal staff development. This includes General Fund, Special Revenue Funds and Capital Projects Funds.

Ninety-five percent of the Districts fully met this indicator by either spending 55% or more of their operating

expenditures on instruction or posting their check registers and aggregate payroll totals online. While West ISD expects to meet the required percentage in the 2008-2009 school year, we are going to post the check registers on line. This is also being encouraged at the state level for transparency.

14. Was the Percent of Operating Expenditures Expended for Instruction more than or equal to 65%? (Functions 11, 12, 31, 33, 36, 93, 95)

This is a new indicator that should give a more accurate accounting of what is being spent on instructional education for students. It is still to used to show the District's ability to focus on instruction.

West ISD's answer was "Yes". West received the maximum 3 points on this indicator. West spent 66.94 percent on Instruction Expenses as described in this Indicator.

Districts were concerned that Indicator 13 did not give a clear picture of what was being spent to educate children so a new Indicator was added that gives a somewhat clearer picture of what is spent on Instruction. This Indicator includes the same Functions as Indicator 13 with the addition of Functions 12-Library Science, 31-Counselors, and 33-Health Services. It still does not

include the staff development. In future years, beginning with 2008-2009 the District will have to further divide the expenditures in the 65% rule—having an allowed percentage for each Function code in the 65% rule and outside of it. The number of Districts that received a 3 was 590, a 2 was 274, a 1 was 104 and a 0 was 63.

15. 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". Of the state's Districts, 1,019 passed and 12 failed.

16. 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?)

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 \$3,782,404. This was a decrease of \$448,818 from the prior year. However, we were able to complete approximately \$1,500,000 of projects without reducing our fund balance in that amount. In the state, 1,027 passed and 4 failed.

17. 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 Net Delinquent Taxes Receivable)

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 or other deferred income 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”. Of the Districts in the state, 1,025 passed with a 5, 1 with a 2 and 5 failed.

18. Was the Administrative Cost Ratio less than the Threshold Ratio?

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

West ISD's answer to this question was "Yes". West ISD's administrative cost ratio was 9.66 percent including Rio Brazos Education Coop, well below the state's threshold ratio. The prescribed threshold ratio from the state for a district our size was 14.01 percent. West ISD is even below the 10,000 or above group which is 11.05. We have been well below the state threshold level for all six years we have been reporting. Of the Districts in the state, 953 passed and 78 failed.

19. 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". We received a 4 out of possible 5 on this Indicator. Our student-teacher ratio was 11.3943 to 1. This is a lower student to teacher ratio than the previous year when we were at 15.981 to 1.

One of the causes in the decrease is that each District in the education coop began paying their own Special Education teachers. This would be concerning if we increase were increasing teaching staff without increasing the number of students as we could become one of the "circling the drain" school. However, our teacher to student ratio is only .1057 below the accepted rate and West ISD still included some of the Rio Brazos teachers and we do not include the students. Of the Districts in the state, the following scores were earned: 5-977; 4-26; 3-12; 2-5 and 11 failed.

20. 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	5.	14
500-999	5.8	14
1,000-4,999	6.3	14
5,000-9,000	6.8	14
>10,000	7.0	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 "No". Our student-staff ratio was 4.4725 to 1. This ratio is much smaller than the previous year since we had to include all Rio Brazos staff in our numbers for the entire year. We report all bus drivers for all four districts along with the Business Office,

Instructional, and Administrative staff. The range for a district our size is 6.3 to 14. The acceptable ration was raised for all size districts for the reporting year. Of the Districts in the state, 47 failed this indicator.

21. 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 no more than one and one-half times this amount in our Fund Balance, counting both reserved and unreserved fund balances.

West ISD's answer to this question was "Yes". West received the maximum score on this Indicator. Our optimum fund balance per our audit was \$4,882,695. Our acceptable fund balance range is between \$2,441,345.50 and \$5,673,606. Our fund balance was \$3,782,404. The Districts in the state scored as follows: 5-834; 4-9; 3-9; 2-5; 1-6 and 168 failed.

22. Was the decrease in Undesignated Fund Balance less than 20 percent over two Fiscal Years? (If 1.5 times Optimum Fund Balance is less than the Total Fund Balance in the General Fund or if Total Revenues are greater than the Operating Expenditures in the General Fund, then the District receives 5 points.)

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 received 5 points. We did not have a decrease in our Undesignated Fund Balance. Of the state's Districts, 1,030 passed and 1 failed.

23. 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 \$ 3,420,773. This is an increase of \$256,847 from the previous year. This is different from the Fund Balance as we are on an accrual method. Of the Districts in the state, 1,027 passed and 4 failed.

24. Were Investment Earnings in all funds (excluding Debt Service Fund and Capital Projects Fund) more than \$20 per student?

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

West ISD's answer to this question was "Yes". West received the maximum of 4 points on this Indicator. Our investment earnings in all funds (excluding Debt Service and Capital Projects) were \$167.85 per student. This is up from \$155.339 from 2006, \$73.0631 from 2005 and \$24.323 from 2004. The years of 2004-2006 included all funds such as Debt Service. For the Districts in the state, 1,019 scored a 4, 1 scored a 1 and 11 failed.

West ISD received a rating of SUPERIOR ACHIEVEMENT.

We passed all but one indicator. This was the Indicator on the Ratio of Students to Total Staff for our size District. We missed this by 1.8275. As explained earlier, we have the entire staff of Rio Brazos Coop included in our staff numbers, but we do not have the students of the other districts in our student numbers.

West ISD's rating was in the top 94.46% of Districts in the State of Texas. This is up from 91.3% in the prior year.

2005-2006 Rating Counts

Ratings	STATEWIDE	
	Count	% Total
Superior Achievement	931	94.46
Above Standard Achievement	77	1.45
Standard Achievement	6	0.02
Substandard Achievement	17	4.08
Suspended Due to Data Quality	1	0
Total	1,031	100.00%

The prior year, there were 944 in Superior Achievement, 62 in Above Standard Achievement, 3 in Standard Achievement, 24 in Substandard Achievement and 1 in Suspended. The state has 3 less total Districts than the prior reporting year. As the Indicators become more rigid, it becomes more and more difficult to maintain the Superior Achievement.

This year 18 Districts failed the FIRST report. Seventeen of the Districts were rated Substandard and 1 was Suspended Due to Data Quality. This is the smallest number of Districts on the TEA's failure list in the six year history of the FIRST report.

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.

Superintendent's Contract for the Current Year

There is not a contract for the current year for prior Superintendent at the time of this report.

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 prior 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 2007

	Board K. Sykora	Board D. Kolar	Board M. Sulak	Board C. Anthony	Board L. Hykel	Board A. Soukup	Board L. Sparks	Board C. Waddell
Summary Amounts	\$58,806/06	\$1,134.75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Summary Schedule of Reimbursement to Board Members and Superintendent for 2006-2007

Reimbursements Received by the Superintendent and Board Members for fiscal year 2007
For the Twelve-month period ended August 31, 2007

Description of Reimbursement	Superintendent R. Hart	Board K. Sykora	Board D. Kolar	Board R. Sykora	Board C. Anthony	Board L. Hykel	Board A. Soukup	Board L. Sparks	Board C. Waddell
Meals	48.77	36.24	27.19	0	52.99	16.03	6.99	36.21	20.21
Lodging	1427.87	637.47	360.88	0	669.60	496.40	360.88	702.36	604.71
Transportation Motor fuel		164.03	164.03	0	164.03	164.03		164.03	164.03
Other (Registrations)	463.32	379.89	590.00	0	315.00	\$315.00	590.00	315.00	379.89
Total	\$1939.96	\$1217.63	1142.10	0	\$1142.10	\$991.46	957.87	\$1217.60	\$1168.84

For additional information, please contact:

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