



2015

FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS

Data for School Year 2013-14

Public Hearing
October 28, 2015
6:30 pm

Lovenberg Administration Building
3904 Avenue T
Galveston, Texas 77550

Table of Contents

1. District Status Detail
2. State Overall Statistics
3. Financial Accountability Management Report
4. Discussion of Selected FIRST Indicators
5. Disclosures
6. Galveston County School Ratings

Help Home Log Out

2014-2015

User: David Dworsky

User Role: District

RATING YEAR

Select An Option



Financial Integrity Rating System of Texas

2014-2015 RATINGS BASED ON SCHOOL YEAR 2013-2014 DATA DISTRICT STATUS DETAIL

Name: GALVESTON ISD(084902)

Publication Level 1: 8/20/2015 11:24:40AM

3

4/6/2015 Yes

2

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

https://pryor.tea.state.tx.us/tuna/forms/District.aspx?year=2013&district=084902

10/1/2015

Status: Passed

Publication Level 2: 8/20/2015 11:24:40AM

Rating: Pass

Last Updated: 8/20/2015 11:24:40AM

District Score: 28

Passing Score: 16

#	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>	4/6/2015 2:4 PM	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>	4/6/2015 2:4 PM	Yes

a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)

4 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.)

3 Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)

6 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?

7 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.

P

4/ 6/2015 10
PM

28
Weighte
d
Sum

DETERMINATION OF RATING

A. Did The District Answer 'No' To Indicators 1, 2, 3, Or
4?
Is Substandard Achievement.

Multiplie
r
Sum

7/30/2015 Yes
12:18:37

28 Score

P

If So, The District's
Rating

1
Multiplier
Sum

7/15/2015 8
11:52:12

AM

8/17/2015 10
5:

Determine Rating By Applicable Range For Summation of the Indicator Scores

B. (Indicators 5-7)

Pass

16-30

Substandard Achievement

< 16

Home Page: [Financial Accountability](#) | Send comments or suggestions to
FinancialAccountability@tea.state.tx.us

THE TEXAS EDUCATION AGENCY

1701 NORTH CONGRESS AVENUE • AUSTIN, TEXAS, 78701 • (512) 463-

9734

User: David
Dworsky User
Role: District

RATING YEAR



Financial Integrity Rating System of
Texas

OVERALL STATISTICS 2013-2014 STATUS COUNTS

Status	Count	% Total	Enrollment	% Total Enrollment
Passed	1,012	98.83 %	013	99.44 %
Failed	12	1.17 %	27,844	0.56 %
Total	1,024	100.00 %	4,932,857	100.00 %

2013-2014 RATING COUNTS

Ratings	Count	% Total	Enrollment	% Enrollment	Total
District Status Detail Pass	1,012	98.83 %	4 13	99.44 %	0/0
Substandard Achievement	12	1.17 %	27,844	0.56 %	0/0
Total	1,024	100.00 %	49 57	100.00 %	0/0

4

<https://pryor.tea.state.tx.us/fir/fonns/AdminStats.aspx>

2013-2014 ALL RESULTS BY INDICATOR

Indicator	Result	Count	% of Districts	Enrollment	% Total Enrollment
1	Yes	1021	99.71 %	4931140	99.97 %
	No	3	0.29 %	1717	0.03 %
2	Yes	1022	99.80 %	4912880	99.60 %
	No	2	0.20 %	19977	0.40 %
3	Yes	1024	100.00 %	4932857	100.00 %
	No		0.00 %		0.00 %

Overall Statistics

	Yes	1022	99.80 %	4932572	99.99 %
	No	2	0.20 %	285	0.01 %
5	10	847	82.71 %	4512004	91.47 %
	8	116	11.33 %	329457	6.68 %
	6	34	3.32 %	69092	1.40 %
	4	11	1.07 %	16051	0.33 %
	2	5	0.49 %	3764	0.08 %
		11	1.07 %	2489	0.05 %
6	10	1009	98.54 %	4896496	99.26 %
		15	1.46 %	36361	0.74 %
7	10	999	97.56 %	4871836	98.76 %
		25	2.44 %	61021	1.24 %

2013-2014 ANSWERS BY INDICATOR

Indicator	Yes	No	10	8	6	4	2	0
1		1021	3	x	x	x	x	x
2		1022	2	xx	xx			
3		1024	x	x	x	x	x	x
4		1022	2	x	x	x	x	x

5	x	847	116	34	11	5	11
6	x	1009	x	x	x	15	
7	x	999	x	x	25		

Last Updated: Saturday, September 26, 2015 10:08:00

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<https://pryor.tca.state.tx.us/tuna/tirst/fonns/AdminStats.aspx>

Total

1024

1024

1024

1024

1024

1024

1024

5



2015

FINANCIAL INTEGRITY RATING SYSTEM of TEXAS (FIRST)

Financial Accountability Management Report

For the Reporting Period 9/1/13 – 8/31/14

2013-14 School Year Data

INTRODUCTION

Galveston ISD has again earned the highest Texas Education Agency financial integrity rating for 2015.

Senate Bill 875 of the 76th Texas Legislature in 1999 authorized the implementation of a financial accountability rating system, which is commonly referred to as School FIRST. The primary goal of School FIRST is to improve the management of school districts' financial resources. The final rating is received in September by each Texas school district. Each district must hold a public meeting to distribute a management report reflecting the district's rating that includes an explanation of performance under each of the indicators established by the Texas Education Agency (TEA) Commissioner of Education.

CHANGES IN THE FIRST RATING FROM 2014 to 2015

For 2015, the Texas Education Agency changed the Financial Integrity ratings structure and rating system as follows.

RATING STRUCTURE	2014	2015
#1 (highest)	Superior Achievement	Pass
#2	Above Standard Achievement	eliminated
#3	Standard Achievement	eliminated
#4 (lowest)	Substandard Achievement	Substandard Achievement

Pass	16-30 points & YES to indicators 1 – 4
Substandard Achievement	<16 points or NO to one default indicator

Additionally, the 2015 FIRST rating was modified by the Texas Education Agency to include only seven of the previous twenty indicators. Four indicators are YES/NO (pass/fail) measurements, and three indicators are ranked by points. The benchmark for Indicator 5, Administrative Cost Ratio, was substantially lowered from 12.5% to 10%. The change in the indicators is as follows.

INDICATOR	2014		2015	
	#	RATING	#	RATING
Fund Balance Greater Than Zero	1	pass/fail		eliminated
Unrestricted Net Assets	2	pass/fail	4	pass/fail
Default on Bonded Indebtedness	3	pass/fail	3	pass/fail
Timely Filing of Annual Financial Report	4	pass/fail	1	pass/fail
Unqualified/Unmodified Audit Opinion	5	pass/fail	2	pass/fail
Material Weaknesses	6	pass/fail	7	10 points
Percent Total Tax Collections	7	5 points		eliminated
PEIMS Data Accuracy	8	5 points	6	10 points
Debt Related Expenditures	9	5 points		eliminated
Material Noncompliance	10	5 points		eliminated
Financial Management Accreditation	11	5 points		eliminated
Expenditures, Revenue, & Fund Balance	12	5 points		eliminated
Funding of Construction Projects	13	5 points		eliminated
Ratio of Cash & Investments	14	5 points		eliminated
Administrative Cost Ratio	15	5 points	5	10 points
Student/Teacher Ratio	16	5 points		eliminated
Student/Staff Ratio	17	5 points		eliminated
Unreserved Fund Balance	18	5 points		eliminated
Value of Cash & Investments	19	5 points		eliminated

Investment Earnings	20	5 points		eliminated
Points Available to be Earned		70 points		30 points

Beginning in 2015, the School FIRST worksheet now consists of 7 indicators. Indicators 1, 2, 3 & 4 are pass/fail indicators with an appropriate answer of YES. A NO answer for any one or more indicators results in an automatic Substandard Achievement rating. Indicators 5, 6 & 7 can earn a maximum of 10 points each. Galveston ISD received a YES rating for indicators 1, 2, 3 & 4 and earned 28 points for indicators 5, 6 & 7, earning a score of 28 of a possible 30 points.

PUBLICATION

Notice of a required public meeting to discuss Galveston ISD's Financial Integrity Rating of Texas was appropriately published on September 29, 2015 and October 1, 2015 in the Galveston Daily News, and subsequently republished on October 12, 2015 and October 13, 2015 changing the public hearing date to October 28, 2015.

DISCLOSURES

Specific disclosures are required to be published. These disclosures are included in this report.

- Superintendent's contract

- Reimbursements received by the Superintendent and Board
 - Outside compensation and/or fees received by the Superintendent
 - Gifts received by Executive Officers and Board Members
 - Business transactions between the district & Board Members
 - Any other useful information

OVERVIEW OF THE FINANCIAL INTEGRITY RATING INDICATORS

Indicator 1

This indicator determines if the Annual Financial Report was filed by the deadline of January 28, 2015.

The annual financial report was filed with the Texas Education Agency prior to the deadline of January 28, 2015.

Indicator 2

A qualification on the district's financial report means that a correction is needed to the reporting requirements or financial controls. A district's goal is to receive an 'unmodified opinion' on its Annual Financial Report.

The annual financial report reflected an unmodified opinion issued by independent auditors.

Indicator 3

This indicator seeks to make certain that the district has paid its bills and obligations on bonds issued to pay for school construction or other projects.

There were no disclosures in the Annual Financial Report or other sources of information concerning default on bonded indebtedness obligations.

Indicator 4

This indicator measures if the district's total assets exceed total liabilities, with an exception made for high growth districts that incur large amounts of debt.

The Total Unrestricted Net Asset Balance in the Governmental Activities Column in the Statement of Net Assets was greater than zero.

Indicator 5

This indicator measures the percentage of the budget that school districts spend on administration.

The district's administrative cost ratio of 10.96% was greater than the administrative cost ratio benchmark of 10.00%. This benchmark was lowered for the 2013-14 school year from 12.5% to 10.00%.

RATING STRUCTURE	2014	2015	CHANGE
Benchmark Rating	12.50%	10.00%	2.50% decrease
Galveston ISD	9.57%	10.96%	1.39% increase

Indicator 6

This indicator measures the quality of data reported to PEIMS and in the Annual Financial Report to make certain that the data reported in each case matches. If the difference in numbers reported in any fund type is more than 3%, the district fails this measure.

The comparison of PEIMS data to the annual financial report resulted in an aggregate variance of 0% of expenditures per fund type.

Indicator 7

A clean audit of the Annual Financial Report would state that the 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.

The annual financial report did not disclose any instances of material weaknesses in internal controls.

GALVESTON INDEPENDENT SCHOOL DISTRICT
 2015 Discussion of Selected FIRST Indicators for School Year 2013-14
 October 28, 2015

INDICATOR 5 – ADMINISTRATIVE COST RATIO

- Indicator 5 measures the percentage of the budget that school districts spend on administration.
- The calculation is made by dividing the sum of the amounts for fund 199 function codes 21 & 41 by the sum of the amounts for function codes 11, 12, 13 & 31, including object codes 61XX – 64XX, excluding object 6144

Code	Description	2012-13	2013-14
Function 21	Instructional Administration	\$1,095,008	\$1,352,219
Function 41	General Administration	\$1,744,433	\$2,072,049
		\$2,839,441	\$3,424,268
Function 11	Instruction	\$27,628,961	\$28,908,309
Function 12	Library	\$413,125	\$491,205
Function 13	Teacher Staff Development	\$456,978	\$511,416
Function 31	Counseling	\$1,143,128	\$1,328,819
		\$29,642,192	\$31,239,749
	Administrative Cost Ratio	9.57%	10.96%

Reporting requirements for the financial management report for Schools FIRST public hearing are found in **Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System**. This rule describes requirements for the five (5) disclosures explained below that are to be presented as appendices in the Schools FIRST financial management report.

1. Superintendent's Employment Contract

The school district is to provide a copy of the superintendent's employment contract that is effective on the date of the Schools FIRST hearing in calendar year 2014. In lieu of publication in the Schools FIRST financial management report, the school district may chose to publish the superintendent's employment contract on the school district's Internet site. **If published on the Internet**, the contract is to remain accessible for twelve months.

The Superintendent's employment contract is posted on the district website at www.gisd.org. In the "District" window, select "Departments", then "Office of the Superintendent", then "Documents", then "Superintendent's Contract".

2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2013

For the Twelve-month Period Ended August 31, 2013									
Description of Reimbursements	Supt.	Board Member Hay	Board Member Temple	Board Member Greaney-Wurst	Board Member O'Neal	Board Member Rawlins	Board Member Cazares	Board Member Simmons	Board Member Jencks
Meals	\$ 3,330.36	\$	\$ 38.20	\$ 36.91	\$ 864.00	\$	\$ 30.90	\$	\$
Lodging	858.80	474.75	465.75	441.45	2,114.92	465.75	441.45	441.45	
Transportation	1,541.07		235.88	281.10	1,099.29		238.10	198.10	
Motor Fuel									
Other	955.42	295.00	295.00	295.00	1,745.00	295.00	295.00		295.00
Total	\$ 6,685.65	\$ 769.75	\$1,034.83	\$1,054.46	\$5,823.21	\$ 760.75	\$1,005.45	\$ 639.55	\$ 295.00

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2013, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

Meals – Meals consumed off of the school district’s premises, and in-district meals at area restaurants (excludes catered meals for board meetings).

Lodging - Hotel charges.

Transportation - Airfare, car rental (can include fuel on rental), taxis, mileage reimbursements, leased cars, parking and tolls.

Motor fuel – Gasoline.

Other - Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.

3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2013

For the Twelve-Month Period Ended August 31, 2013	
Name(s) of Entity(ies)	
	\$ 0
Total	\$ 0

Note – Compensation does not include business revenues from the superintendent’s livestock or agricultural-based activities on a ranch or farm. Report gross amount received (do not deduct business expenses from gross revenues). Revenues generated from a family business that have no relationship to school district business are not to be disclosed.

4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2013

For the Twelve-Month Period Ended August 31, 2013									
	Superintendent Nichols	Board Member Hay	Board Member Temple	Board Member Greaney-Wurst	Board Member O'Neal	Board Member Rawlins	Board Member Cazar	Board Member Simmons	Board Member Jencks
Summary Amounts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification. Gifts received by first degree relatives, if any, will be reported under the applicable school official.

5. Business Transactions Between School District and Board Members for Fiscal Year 2013

For the Twelve-Month Period Ended August 31, 2013								
	Board Member Hay	Board Member Temple	Board Member Greaney-Wurst	Board Member O'Neal	Board Member Rawlins	Board Member Cazares	Board Member Simmons	Board Member Jencks
Summary Amounts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Note - The summary amounts reported under this disclosure are not to duplicate the items reported in the summary schedule of reimbursements received by board members.

6. A summary schedule of the data submitted to the Texas Education Agency for the financial solvency provisions of Texas Education Code, §39.0822.

A. Summary Schedule of Data Submitted under the Financial Solvency Provisions of TEC Section 39.0822

General Fund – First Quarter Expenditures by Object Code

Report 2013-14 First-Quarter (first three months of fiscal year 2013-14) General Fund expenditures by object code whole numbers.

Payroll	Expenditures for payroll costs	Object codes 6110-6149	\$ 8,991,344
Contract Costs	Expenditures for services rendered by firms, individuals, and other organizations	Object code series 6200	\$ 3,651,164
Supplies and Materials	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	Object code series 6300	\$ 450,561
Other Operating	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	Object code series 6400	\$ 242,670
Debt Service	Expenditures for debt service	Object code series 6500	\$ 0
Capital Outlay	Expenditures for land, buildings, and equipment	Object code series 6600	\$ 14,785

B. Districts with a September 1-August 31 fiscal year

Within the last two years, did the school district:

Check the Answer	Yes	No
Draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and		X
For the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?		X

Districts with a July 1-June 30 fiscal year

Within the last two years, did the school district:

Check the Answer	Yes	No
Draw funds from a short-term financing note (term less than 12 months) between the months of July and October, inclusive, and		X
For the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?		X

C. Financial exigency disclosure:

Check the Answer	Yes	No
Has the school district declared financial exigency within the past two years?		X

D. Selected trend information.

Did the report supplemental comments or explanations for significant trends or measures involving:

	Check the Answer	Yes	No
Student-to-staff ratios?			X
Fund Balances in General Fund?			X
Major construction projects			X
Defaulted on any debts within past two years			X
Budget figures and projected revenues and expenditures?			X
Other?			X

If yes, excerpt comments or explanations provided to TEA below.

E. Superintendent:

How many superintendents has your school district had in the last five years?	2

F. Business Manager:

How many business managers has your school district had in the last five years?	1

District	2014			2015		
	Rating	Pts.	Indicator for Lost Points	Rating	Pts.	Indicator for Lost Points
Galveston	1 – Superior Achievement	70	none	Pass	28	#5 Administrative Cost Ratio – 2 pts
Friendswood	1 – Superior Achievement	70	none	Pass	28	#5 Administrative Cost Ratio – 2 pts
Hitchcock	1 – Superior Achievement	70	none	Pass	28	#5 Administrative Cost Ratio – 2 pts
Clear Creek	1 – Superior Achievement	70	none	Pass	30	none
Dickinson	1 – Superior Achievement	70	none	Pass	30	none
Texas City	1 – Superior Achievement	70	none	Pass	30	none
Santa Fe	1 – Superior Achievement	68	#9 Debt Related Expenditures – 2 pts	Pass	30	none
High Island	2 – Above Standard Achievement	59	#15 Administrative Cost Ratio – 5 pts #17 Student/Staff Ratio – 1 pt #18 Decrease in Fund Balance – 5pts	Pass	24	#5 Administrative Cost Ratio – 6 pts
La Marque	3 – Standard Achievement	52	#9 Debt Related Expenditures – 3 pts #15 Administrative Cost Ratio – 5 pts #18 Decrease in Fund Balance – 5 pts #20 Investment Earnings – 5 pts	Substandard Achievement	14	#5 Administrative Cost Ratio – 6 pts #6 PEIMS Data Quality – 10 pts

