



FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS

School Year 2012-13

Public Hearing
October 22, 2014
6:30 pm

Lovenberg Administration Building
3904 Avenue T
Galveston, Texas 77550

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FINANCIAL INTEGRITY RATING SYSTEM of TEXAS

OVERVIEW

School Year 2012-13

RATING

- GISD earned a Superior Achievement rating by the Texas Education Agency in the Financial Integrating Rating System of Texas (FIRST)
- GISD earned a perfect score of 70 of a possible 70 points for indicators 7 through 20, with no default answers for indicators 1 through 6
- Indicators 7 – 20 can earn a maximum of 5 points each depending on the performance of the district; Indicators 1 – 6 are compliance indicators with an appropriate answer of YES (a NO answer triggers an automatic sub-standard rating)

HISTORY OF FIRST

- Authorized by Senate Bill 875 of the 76th Legislature in 1999
- Often referred to as "Schools FIRST"

- School districts are evaluated based on staff, student, budgetary & financial data
- The primary goal of the initiative is to improve the management of financial resources

RATING INDICATORS

- Critical Indicators
 - Fund balance
 - Net assets
 - Bonded indebtedness
 - Annual financial report (independent audit)
 - Auditor's unqualified opinion
 - Material weaknesses in internal controls
- Fiscal Responsibility Indicators
 - Tax collections
 - PEIMS data
 - Debt related expenditures
 - Material non-compliance issues
 - Financial accreditation
- Budgeting Indicators
 - Budgeted expenditures
 - Fund balance
 - Cash & investments
- Personnel Indicators
 - Administrative cost ratio
 - Student/teacher ratio
 - Student/staff ratio

- Cash Management Indicators
 - Rapid decreases in undesignated fund balance
 - Cash & investments
 - Investment earnings

DISCLOSURES

- Disclosures
 - Superintendent's contract
 - Reimbursements received by the Superintendent and Board Members
 - Outside compensation and/or fees received by the Superintendent
 - Gifts received by Executive Officers and Board Members
 - Business transactions between the district & Board Members
 - Selected data for the first quarter of 2013-14



2014 FINANCIAL INTEGRITY RATING SYSTEM of TEXAS

Financial Accountability Management Report

For the Reporting Period 9/1/12 – 8/31/13

INTRODUCTION

Galveston ISD has received the School FIRST financial integrity rating of Superior Achievement for the 2012-13 school year, earning a perfect score of 70 out of a possible 70 points.

Senate Bill 875 of the 76th Texas Legislature in 1999 authorized the implementation of a financial accountability rating system, which is officially referred to as School FIRST. The School FIRST rating is based upon an analysis of staff and student data, as well as budgetary and financial data for the reporting period 9/1/12 through 8/31/13.

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 commissioner of education.

The School FIRST worksheet consists of 20 indicators. A “No” response in indicators 1, 2, 3, or 4, or a “No” response for indicators 5 and 6, earns an automatic “Substandard Achievement” rating. A district can earn a possible 70 points for indicators 7 through 20, which establishes the ratings as follows:

Superior Achievement	64-70 & “Yes” to indicators 1 through 6
Above Standard Achievement	58-63
Standard Achievement	52-57
Substandard Achievement	<52 or “No” to one default indicator

Galveston ISD received a “yes” rating for indicators 1 through 6, and earned full point credit for indicators 7 through 20, earning a perfect score of 70 of a possible 70 points.

OVERVIEW OF THE FINANCIAL INTEGRITY RATING INDICATORS

CRITICAL INDICATORS (Indicators 1-6)

Indicator 1

School districts must legally have a fund balance to ensure adequate funding for operations. This indicator is designed to ensure that the district has a positive amount of fund balance cash (savings) that is not designated or reserved for a specific purpose.

The General Operating fund balance at 8-31-13 was \$32,393,133. Of this amount \$2,556,069 is restricted. Unrestricted fund balance is \$29,837,064.

Indicator 2

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 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 determines if the Annual Financial Report was filed by the deadline of January 28, 2014.

The annual financial report was filed with the Texas Education Agency prior to the deadline of January 28, 2014.

Indicator 5

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 "unqualified opinion" on its Annual Financial Report.

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

Indicator 6

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.

FISCAL RESPONSIBILITY (Indicators 7-11)

Indicator 7

This indicator measures the district's success in collecting the taxes owed by community businesses and homeowners, placing a three-year average collection rate of 98% as the minimum collections standard. The district must have a three-year average collection rate of 98% or more of taxes owed, including delinquent taxes owed from prior years.

The three-year average of total tax collections, including delinquent tax collections, was 100.28% of the adjusted tax levy, which exceeded the benchmark of 98%.

Indicator 8

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 9

This indicator shows the Legislature's intent for school districts to spend money on education by limiting the amount of money a district can spend on debt to \$350 per student. Fast growth schools can exceed this cap.

Debt related expenditures of \$6,493,831 in relation to 6,695 students, represents \$970 per student, which was not below the benchmark of \$350 per student; however, this limitation does not apply if property taxes collected per penny of tax effort was more than \$200,000. Property taxes collected per penny of tax effort for GISD is \$501,367, therefore the \$970 debt expenditure per student exceeding the \$350 benchmark does not negatively impact the district.

Indicator 10

This indicator determines whether the Annual Financial Audit Report includes disclosures indicating that the school district failed to comply with laws, rules and regulations for a government entity.

There was no disclosure of material non-compliance in the annual audit report.

Indicator 11

This indicator answers whether the district had full accreditation status in relation to financial management practices, that is, no conservator or monitor was assigned to the district.

The district had full accreditation status in relation to financial management practices.

BUDGETING (Indicators 12-14)

Indicator 12

This indicator compares the aggregate of budgeted expenditures and other uses to the aggregate of total revenues, other resources and fund balance in the general fund.

The aggregate of budgeted expenditures and other uses of \$65,343,223 was less than the aggregate of total revenues, other resources and fund balance of \$95,147,613.

Indicator 13

This indicator measures the district's ability to construct facilities within the budgeted limits for capital projects, without compromising fund balance by overspending.

The district's aggregate fund balance of the general fund and capital projects fund was not less than zero. Construction projects were adequately funded.

Indicator 14

This indicator measures whether or not the district has sufficient cash and investments in the General Fund to balance fund balance monies such as TEA overpayments, or deferred revenue. This measurement indicates the district is not spending future year's revenues during the current year.

The ratio of cash and investments to deferred revenues exceeds the benchmark of 1:1.

PERSONNEL (Indicators 15-17)

Indicator 15

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

The district's administrative cost ratio of 9.57% was less than the administrative cost ratio benchmark of 12.5%.

Indicator 16

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

The ratio of students (6,695) to teachers (382.8121 FTE's) of 17.489 is within the benchmark range of 13.0 to 22.0.

Indicator 17

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

The ratio of students (6,695) to total staff (916.9773 FTE's) of 7.3012 is within the benchmark range of 6.8 to 14.

CASH MANAGEMENT (Indicators 18-20)

Indicator 18

This indicator measures total fund balance to determine if the district is rapidly depleting unassigned fund balance to fund operating expenditures, measured as a decrease in fund balance greater than 20% for two fiscal years prior. The district must meet one of two calculations to satisfy this requirement.

- 1. Revenue of \$61,638,170 in the General Fund exceeds expenditures in functions 11-61 and object codes 6100-6400 of \$49,939,535 by \$11,698,635.**
- 2. The General Fund undesignated, unreserved fund balance of \$9,837,064 at 8-31-13 is less than 80% of the undesignated, unreserved fund balance of \$16,006,868 at 8-31-11.**

Indicator 19

This indicator measures whether or not the district has cash in the bank and/or investments.

The aggregate total of cash and investments in the General Fund was greater than the benchmark of \$0.

Indicator 20

This indicator measures whether or not the district is using its cash or reserve fund monies wisely, by comparing the amount of investment earnings to a benchmark figure.

The ratio of investment earnings in all funds of \$134,648 to cash and investments of \$41,393,005, excluding Debt Service and Capital Projects, of .364%, exceeded the three month Treasury Bill rate of .07167%.

GALVESTON INDEPENDENT SCHOOL DISTRICT
2014 Discussion of Selected FIRST Indicators for School Year 2012-13
October 15, 2014

INDICATOR 16 – STUDENT/TEACHER RATIO

- Indicator 16 measures the ratio of students to teachers. GISD received the maximum points available for being within the benchmark with a ratio of 17.489.
- The benchmark established by TEA is a range of one teacher for every 13-22 students for districts with 5,000 – 9,999 students.
- For school years 2001-02 through 2007-08, on the average, GISD employed one teacher for every 15 students.
- In 2008-09, the school year of Hurricane IKE, GISD employed one teacher for every 11 students.
- For school years 2009-10 through 2011-12, on the average, the district employed one teacher for every 15 students.
- For school year 2012-13 the district employed one teacher for every 17 students.
- FIRST ratios represent all staffing in the district with no distinction made between federally funded employees (grants) and locally funded employees.
- Quick reference of data

School Year	S/T Ratio	Enrollment
2001-02	14	9166
2002-03	14	9119
2003-04	16	9152
2004-05	15	9150
2005-06	15	9043
2006-07	15	8430
2007-08	14	7891
2008-09	11	5565
2009-10	14	6342
2010-11	15	6440

2011-12	15	6406
2012-13	17	6695

INDICATOR 17 – STUDENT /STAFF RATIO

- Indicator 17 measures the ratio of students to total staff. GISD received the maximum points available for being within the benchmark with a ratio of 7.3012.
- For school years 2001-02 through 2005-06 the benchmark established by TEA is a range of one staff member for every 6.5 -14 students, for districts with 5,000 – 9,999 students.
- For school years 2006-07 through 2012-13 the range was decreased to one staff member for every 6.8 -14 students, for districts with 5,000 – 9,999 students.
- For school years 2001-02 through 2007-08, on the average, GISD employed one staff member for every 7 students.
- In 2008-09, the school year of Hurricane IKE, GISD employed one staff member for every 5 students.
- For the school years 2009-10 through 2012–13, on the average, the district employed one staff member for every 7 students.

- FIRST ratios represent all staffing in the district with no distinction made between federally funded employees (grants) and locally funded employees.
- Quick reference of data

School Year	S/S Ratio	Enrollment
2001-02	7	9166
2002-03	7	9119
2003-04	7	9152
2004-05	7	9150
2005-06	7	9043
2006-07	7	8430
2007-08	7	7891
2008-09	5	5565
2009-10	6	6342
2010-11	7	6440
2011-12	8	6406
2012-13	7	6695

INDICATOR 18 – FUND BALANCE

- Indicator 18 measures total fund balance to determine if the district is rapidly depleting unassigned fund balance to fund operating expenditures, measured as a decrease in fund balance greater than 20% for two fiscal years prior. The district must meet one of two calculations to satisfy this requirement, explained below. GSD received maximum credit for this indicator by meeting bullet one.
 - Revenue of \$61,638,170 in the General Fund exceeds expenditures in functions 11-61 and object codes 6100-6400 of \$49,939,535 by \$11,698,635.

- The General Fund undesignated, unreserved fund balance of \$9,837,064 at 8-31-13 is less than 80% of the undesignated, unreserved fund balance of \$16,006,868 at 8-31-11.
- At 8-31-13 \$20,000,000 of the total fund balance of \$32,393,133 was “committed” for disaster remediation and capital outlay. This commitment was made at the discretion of the Board of Trustees, and can be uncommitted, in whole or in part, at any time, by the same discretion.
- The \$32 million in total fund balance in the General Fund at 8-31-13 includes \$3 million of a “non-spendable” reserve for inventory and prepaid items. These funds represent an asset for which funds have been spent in the prior year and should not be considered as part of the total. Additionally, \$20 million of the total fund balance is “committed” for disaster remediation and capital outlay, set aside after Hurricane Ike to closely correspond to the amount due from the Federal Emergency Management Agency (FEMA). At 8-31-14 the FEMA receivable is projected at \$17 million, increased by a portion of the total cost of the Burnet Elementary School project. The committed \$20 million, at the Board’s discretion, might be reduced to \$17 million. Assuming an 8-31-14 deficit of \$3 million, the remaining fund balance of \$9 million would represent 1.5 months of operating expenditures.
- Continued deficit budgets in the general operating fund are not sustainable when measured against non-spendable, assigned or otherwise committed fund balance.

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 Greeney-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.

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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

Galveston County School Districts

District	Rating	Score	Indicator for Lost Points
Galveston ISD	1 – Superior Achievement	70	none
Clear Creek ISD	1 – Superior Achievement	70	none
Friendswood ISD	1 – Superior Achievement	70	none
Dickinson ISD	1 – Superior Achievement	70	none
Texas City ISD	1 – Superior Achievement	70	none
Hitchcock ISD	1 – Superior Achievement	70	none
Santa Fe ISD	1 – Superior Achievement	68	#9 Debt Related Expenditures -2 pts
High Island ISD	2 – Above Standard Achievement	59	#15 Administrative Cost Ratio -5 pts #17 Student/Staff Ratio -1 pt #18 Decrease in Fund Balance – 5pts
La Marque ISD	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
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