



Schools FIRST Performance Report
For the Year Ended June 30, 2007

North East Independent School District

Schools FIRST Performance Report For the Year Ended June 30, 2007

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North East Independent School District Introduction to Schools FIRST For the Year Ended June 30, 2007

The Texas Education Agency (TEA) has issued the Schools Financial Integrity Rating System of Texas (FIRST) ratings for fiscal year 2006 -2007, which ended June 30, 2007. North East Independent School District (NEISD) has received a rating of "Superior Achievement." NEISD has received a rating of "Superior Achievement" in each of the six years since Schools FIRST has been implemented.

The Schools FIRST rating system was implemented in 1999 by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature. The primary goal of Schools FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system. The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being "Superior Achievement," followed by "Above-Standard Achievement," "Standard Achievement," and "Substandard Achievement."

The ratings issued for fiscal year 2006-2007 are the first ratings issued under revisions to Schools FIRST designed to toughen standards used to rate a school district's financial performance. The ratings have been expanded from 21 to 24 indicators and various benchmarks have become more stringent. An explanation of the individual indicators, including identification of new indicators and changes to existing indicators, and NEISD's results begins on the next page.

The revisions to Schools FIRST include changes to the way the ranking categories are calculated. Indicators one through six are pass/fail indicators; indicators one through four must be passed to earn a rating above Substandard Achievement. Additionally, indicator five or six must be passed to earn a passing rating. The remaining indicators are scored on a sliding scale from zero to five with a minimum score of 75 plus a passing score on indicator seven required to earn Superior Achievement status. Indicators 13 and 14 are worth 3 points each and indicator 24 is worth 4 points for a maximum point total of 85.

The ratings for NEISD are available on the NEISD Web site at the following address:

<http://www.neisd.net/fina/first.html>

TEA maintains the listing for all school districts and the state as a whole at the following Web site:

<http://hancock.tea.state.tx.us/First/main.aspx>

North East Independent School District Schools FIRST Indicators & Results

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, or savings account, to ensure adequate funding for operations. This indicator is designed to ensure that a district has a positive amount of fund balance that is not legally set aside or “reserved” for a specific purpose. In other words, “Does your district have funds set aside for a rainy day?”

NEISD Result:

2006-2007	\$75,682,354
2005-2006	\$62,207,473
2004-2005	\$59,002,062

2. Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest for Capital Appreciation Bonds) in the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District’s Five-Year Percent Change in Students was a 10% Increase or More then Answer Yes)

This indicator measures whether a district has more assets than liabilities. It focuses on unrestricted net assets, which removes the effect of large debt issuances on fast growing districts’ net assets, If a school district has negative unrestricted net assets but has a 10% increase in enrollment over a five year period, this indicator is answered yes. *This is a new indicator.*

NEISD Result:

2006-2007	\$83,914,665
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3. Were there NO disclosures in the Comprehensive Annual Financial Report (CAFR) and/or other sources of information concerning default on bonded indebtedness obligations?

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

NEISD Result:

2006-2007	No default
2005-2006	No default
2004-2005	No default

4. Was the CAFR 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)?

A simple indicator. Was the CAFR filed by the deadline?

NEISD Result:

2006-2007	Filed timely
2005-2006	Filed timely
2004-2005	Filed timely

North East Independent School District Schools FIRST Indicators & Results

5. Was there an Unqualified Opinion in the CAFR?

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

NEISD Result:

2006-2007	Yes - Unqualified opinion
2005-2006	Yes - Unqualified opinion
2004-2005	Yes - Unqualified opinion

6. Did the CAFR NOT disclose any instance(s) of material weakness in internal controls?

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

NEISD Result:

2006-2007	No material weaknesses
2005-2006	No material weaknesses
2004-2005	No material weaknesses

7. Did the District’s academic rating exceed academically acceptable?

This indicator asks whether the districts accreditation status is in good standing. This indicator must be answered positively to receive Superior Achievement status since financial management without academic results does not achieve our mission. *This is a new indicator.*

NEISD Result:

2006-2007	NEISD is a Recognized District
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8. Was the percent of total tax collections (including delinquent) greater than 98 percent?

This indicator measures a district’s success in collecting the taxes owed by our community’s businesses and homeowners, placing a 98 percent minimum collections standard. A district must collect 98 percent or more of taxes, **including** any delinquent taxes owed from past years. *This indicator used a benchmark of 96% of total tax collections in prior years.*

NEISD Result:

2006-2007	99.73% collected
2005-2006	100.66% collected
2004-2005	99.03% collected

North East Independent School District Schools FIRST Indicators & Results

- 9. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the CAFR result in an aggregate variance of less than three percent of expenditures per fund type (Data Quality Measure)?**

This indicator measures the quality of data reported to PEIMS and in the CAFR 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 four percent, the district “fails” this measure. *This indicator used a benchmark of 3% variance between PEIMS and CAFR data in prior years.*

NEISD Result:

2006-2007	0.00% variance
2005-2006	0.01% variance
2004-2005	12.15% variance*

- * The reason for the large variance is that the CAFR was reported on a 10 - month basis and PEIMS was reported on a 12 - month basis per TEA requirements. TEA considers NEISD to have passed this indicator as the State had differing reporting requirements.

- 10. Were Debt-Related Expenditures (net of Instructional Facility Allotment and/or Existing Debt allotment funding) less than \$250 per student? (If the district’s five-year percentage change in students was a seven percent increase or more, or if property taxes collected per penny of tax effort were more than \$200,000, then answer this indicator YES.)**

This indicator shows the Legislature’s intent for school districts to spend money on education, rather than buildings, by limiting the amount of money districts can spend on debt to \$250 per student. Fortunately, the Legislature did allow for fast-growth schools to exceed this cap by passing one of two alternate benchmarks. *This indicator used benchmarks of \$770 debt related expenditures per student, a two % increase in enrollment, or property taxes per penny of effort greater than \$100,000 in prior years.*

NEISD Result:

2006-2007	\$1,144 debt expenditures per student - FAIL 11.35% growth in enrollment - PASS \$2,195,765 per penny of effort - PASS
2005-2006	\$1,022 debt expenditures per student - FAIL 12.31% growth in enrollment - PASS \$1,966,345 per penny of effort - PASS
2004-2005	\$1,164 debt expenditures per student - FAIL 12.56% growth in enrollment - PASS \$1,797,119 per penny of effort - PASS

North East Independent School District Schools FIRST Indicators & Results

11. Were there NO disclosure in the CAFR of Material Noncompliance?

Did the District comply with laws, rules and regulations for a governmental entity?

NEISD Result:

2006-2007	No material noncompliance noted in audit report
2005-2006	No material noncompliance noted in audit report
2004-2005	No material noncompliance noted in audit report

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

Did TEA take over control of the district due to financial issues such as fraud or having a negative fund balance? If not, the district passed this indicator.

NEISD Result:

2006-2007	Fully accredited
2005-2006	Fully accredited
2004-2005	Fully accredited

13. Was the percentage of Operating Expenditures expended for Instruction more than 55 percent?

This indicator shows NEISD'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 in this calculation (Functions 11, 36, 93, & 95). *This indicator's changes are being phased in over three years. The benchmark increases from 55% in FY 2007 to 60% in FY 2008 to 65% in FY 2009. The indicator used 54% as a benchmark in prior years. This indicator can be passed by posting the District's check register online and notifying TEA of the posting within 30 days of receiving preliminary FIRST ratings.*

NEISD Result:

2006-2007	62.47% expended for instruction
2005-2006	60.42% expended for instruction
2004-2005	60.46% expended for instruction

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 indicator also measures NEISD's ability to focus the majority of its funding on instruction but includes library services, guidance and counseling services, and medical services as part of instructional costs. *This is a new indicator and has no secondary passing mechanism.*

NEISD Result:

2006-2007	69.20% expended
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North East Independent School District Schools FIRST Indicators & Results

- 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?**

Did the district overspend its budget? The district will receive a negative rating on this measure if its total expenditures and other uses for the fiscal year exceeded its total funds available (revenue + fund balance).

NEISD Result:

2006-2007	\$66,535,994 Balance
2005-2006	\$56,894,042 Balance
2004-2005	\$32,739,568 Balance

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

Did the District over-spend on school buildings or other capital projects? This indicator measures NEISD's ability to construct facilities without damaging its fund balance.

NEISD Result:

2006-2007	\$ 78,939,075	General Fund fund balance
	<u>85,653,777</u>	Capital Projects fund balance
	<u>\$164,592,852</u>	Aggregate fund balance > 0
2005-2006	\$ 65,367,390	General Fund fund balance
	<u>201,524,721</u>	Capital Projects fund balance
	<u>\$266,892,113</u>	Aggregate fund balance > 0
2004-2005	\$ 68,631,982	General Fund fund balance
	<u>209,517,109</u>	Capital Projects fund balance
	<u>\$278,149,091</u>	Aggregate fund balance > 0

North East Independent School District Schools FIRST Indicators & Results

- 17. Was the ratio of Cash and Investments to Deferred Revenues (excluding amount equal to net 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 the district has sufficient cash and investments to balance Fund Balance monies such as TEA overpayments (deferred revenues). In other words, the district should have fund balance monies of its own that are at least equal to those dollars that are there due to overpayments from TEA, and a school district should not be spending "next year's" monies this year.

NEISD Result:

2006-2007	\$95,222,160 greater than \$9,989,135
2005-2006	\$88,860,353 greater than \$8,812,166
2004-2005	\$93,142,288 greater than \$10,921,199

- 18. Was the Administrative Cost Ratio less than the standard in State Law?**

TEA and state law sets a cap on the percentage of a school district's budget that Texas school districts can spend on administration. Did NEISD exceed the cap for districts of its size?

NEISD Result:

2006-2007	NEISD Administrative Cost Ratio = \$0.0623
2004-2005	NEISD Administrative Cost Ratio = \$0.0638
2004-2005	NEISD Administrative Cost Ratio = \$0.0648

State Standard

All Years	Administrative Cost Ratio < \$0.1105
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- 19. Was the Ratio of Students to Teachers within the range shown below according to district size?**

This indicator measures a district's pupil-teacher ratio to ensure that it is within TEA recommended ranges for districts in a specified student population range. For example, districts with a student population greater than 10,000 should have no more than 22 students per teacher and no fewer that 13.5 students per teacher.

NEISD Result:

2006-2007	14.9 students per teacher
2005-2006	15.1 students per teacher
2004-2005	15.1 students per teacher

State Standard

Range between 13.5 and 22.0 students per teacher

North East Independent School District Schools FIRST Indicators & Results

20. Was the Ratio of Students to Total Staff within the range shown below according to district size?

This indicator measures a district's pupil-staff ratio to ensure that it is within TEA recommended ranges for districts in a specified student population range. For example, districts with a student population greater than 10,000 should have no more than 14 students per staff member and no fewer than 6.6 students per district employee. *The benchmark in prior years was 6.6 students to 14.0 students per staff member.*

NEISD Result:

2006-2007	7.8 students per staff member
2005-2006	7.8 students per staff member
2004-2005	7.9 students per staff member

State Standard

Range between 7.0 & 14 students per staff member

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 CAFR?

Exhibit J-3 in the CAFR provides an optimum General Fund "Fund Balance" for the district. A district should have no less than one-half and no more than one and one half times this amount in the fund balance, counting both reserved and unreserved fund balances.

NEISD Result:

2006-2007	Optimum Fund Balance	\$101,835,767
	Actual Fund Balance	\$78,939,075
2005-2006	Optimum Fund Balance	\$65,538,666
	Actual Fund Balance	\$65,367,390
2004-2005	Optimum Fund Balance	\$54,068,903*
	Actual Fund Balance	\$68,631,982

* The change in fiscal year results in unexpected changes in fund balance. TEA considers this a timing difference and passes all districts that change their fiscal year.

North East Independent School District Schools FIRST Indicators & Results

- 22. Was the decrease in Unreserved, Undesignated Fund Balance less than 20 percent over two Fiscal Years? (If 1.5 times Optimum Fund balance in General Fund or if Total Revenues exceeded Operating Expenditures in the General Fund, then answer this indicator YES.)**

Is the district depleting its fund balance to pay for salaries or other district operating expenses? This indicator notes rapid decreases in a district's undesignated Fund Balance (those dollars not designated as a "land fund" or "construction fund") or emergency fund.

NEISD Result:

2006-2007	NEISD fund balance increased not decreased by \$17,382,292
2005-2006	NEISD fund balance increased not decreased by \$23,096,630
2004-2005	NEISD fund balance increased not decreased by \$31,532,865

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

Does the district have cash in the bank, and/or investments?

NEISD Result:

2006-2007	\$95,222,160
2005-2006	\$88,860,353
2004-2005	\$93,142,288

- 24. Were Investment Earnings in all funds more than \$15 per student?**

Is the district using its cash or reserve fund (Fund Balance) monies wisely?

NEISD Result:

2006-2007	\$108 per student
2005-2006	\$290 per student
2004-2005	\$163 per student

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Appendix A: Superintendent's Contract

The current contract for Dr. Richard Middleton, NEISD Superintendent, is posted on the NEISD web site @ <http://www.neisd.net/regs/2008-2009.Supt.Contract.pdf>.

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Appendix B: Reimbursable Expenditures For the Year Ended June 30, 2008

	<u>Meals</u>	<u>Lodging</u>	<u>Transportation</u>	<u>Fuel</u>	<u>Other</u>	<u>Total</u>
Dr Richard A Middleton	\$ 1,902.41	\$ 5,043.51	\$ 5,509.90	\$ 434.65	\$ 11,041.83	\$ 23,932.30
Ms Beth Plummer	-	355.01	142.80	-	250.00	747.81
Ms Brigitte Perkins	19.45	209.75	-	33.00	250.00	512.20
Ms Molly Pruitt	-	-	-	-	-	-
Mr Bruce Bennett	38.73	333.54	122.80	-	250.00	745.07
Ms Sandy Hughey	-	790.91	142.80	-	695.00	1,628.71
Ms Susan Galindo	13.49	389.89	142.80	-	250.00	796.18
Mr Edd White	25.00	1,586.90	30.00	-	2,755.00	4,396.90
Ms Letti Bresnahan	49.52	-	-	-	-	49.52
Mr Randy Bristow	-	-	-	-	325.00	325.00
	<u>\$ 2,048.60</u>	<u>\$ 8,709.51</u>	<u>\$ 6,091.10</u>	<u>\$ 467.65</u>	<u>\$ 15,816.83</u>	<u>\$ 33,133.69</u>

Note: Reimbursements include amounts paid by the District on-behalf of the individuals listed above as well as actual reimbursements. The category "Other" includes registration for seminars and meetings and amounts provided for benefits specified in the Superintendent's Employment Contract. The "Meals" category excludes meals purchased for Board of Trustee meetings.

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Appendix C: Business Transactions Between Board and/or Related Family Members and NEISD For the Year Ended June 30, 2008

Board Member	Amount of Business Transactions
Ms Beth Plummer	\$ 202,040.00
Ms Brigitte Perkins	-
Ms Molly Pruitt	-
Mr Bruce Bennett	-
Ms Sandy Hughey	-
Ms Susan Galindo	-
Mr Edd White	-
Ms Letti Bresnahan	-
Mr Randy Bristow	<u>1,165,501.00</u>
Total	<u>\$ 1,367,541.00</u>

Note: North East Independent School District contracts with the law firm, Fulbright & Jaworski, to serve as its bond counsel and for other legal matters. Mrs. Plummer's husband is one of the partners in the law firm. Mrs. Plummer has abstained from voting on their contract. Mr. Bristow had a family member employed as an intern at an architect firm, Garza Bomberger and Associates, that NEISD uses in its construction program.

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Appendix D: Superintendent's Outside Income For the Year Ended June 30, 2008

Source	Superintendent's Outside Income
Trinity University	\$ 3,500.00
Total	\$ 3,500.00

North East Independent School District

Appendix E: Gifts to Superintendent and Board For the Year Ended June 30, 2008

	<u>Gifts</u>
Dr. Richard A Middleton	\$ -
Ms. Beth Plummer	-
Ms. Brigitte Perkins	-
Ms. Molly Pruitt	-
Mr. Bruce Bennett	-
Ms. Sandy Hughey	-
Ms. Susan Galindo	-
Mr. Edd White	-
Ms. Letti Bresnahan	-
Mr Randy Bristow	-
	<u> </u>
	\$ <u> </u>

Note: State law requires disclosure of gifts with an aggregate value of \$250 or greater by a vendor or by an entity that proposed on a bid to provide goods or services to the District.