



Schools FIRST Performance Report
For the Year Ended June 30, 2010

North East Independent School District

Schools FIRST Performance Report For the Year Ended June 30, 2010

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North East Independent School District Introduction to Schools FIRST For the Year Ended June 30, 2010

The Texas Education Agency (TEA) has issued the Schools Financial Integrity Rating System of Texas (FIRST) ratings for fiscal year 2009-2010, which ended June 30, 2010. 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 nine 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."

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. To earn a rating of Superior Achievement, a district must earn a minimum of 72 points and answer "Yes" on indicator number 7. The maximum possible points earned is 80 points and the minimum number of points to earn a passing score of Standard Achievement is 56 points.

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://www.tea.state.tx.us/index4.aspx?id=3864>

The website lists school districts by their County ID number. NEISD's county ID number is 015910.

A summary schedule of information submitted by the District under the Texas Education Code Section 39.0822 is presented in Appendix F for the first time this year.

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:

2009-2010	\$71,894,269
2008-2009	\$57,266,274
2007-2008	\$70,993,011

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.

NEISD Result:

2009-2010	\$56,621,528
2008-2009	\$52,335,508
2007-2008	\$82,123,040

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:

No default in any year

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:

CAFR filed timely every year

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:

Yes - Unqualified opinion every year

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:

No material weaknesses in any fiscal year

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

This indicator asks whether the district’s 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.

NEISD Result:

2009-2010	NEISD is a Recognized District
2008-2009	NEISD is a Recognized District
2007-2008	NEISD is a Recognized District

8. Was the three-year average 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% minimum collections standard. A district must collect 98% or more of taxes, **including** any delinquent taxes owed from past years.

NEISD Result:

2009-2010	99.17% Collected
2008-2009	99.37% collected
2007-2008	99.79% 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 3%, the district “fails” this measure.

NEISD Result:

2009-2010	0.00% variance
2008-2009	0.00% variance
2007-2008	0.00% variance

- *10. Were Debt-Related Expenditures (net of Instructional Facility Allotment and/or Existing Debt allotment funding) less than \$350 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 \$350 per student. Fortunately, the Legislature did allow for fast-growth schools to exceed this cap by passing one of two alternate benchmarks.

NEISD Result

2009-2010	\$1,469 debt expenditure per student – FAIL 9.51% growth in enrollment – PASS \$2,731,733 per penny of effort - PASS
2008-2009	\$1,292 debt expenditure per student - FAIL 10.34% growth in enrollment – PASS \$2,732,783 per penny of effort - PASS
2007-2008	\$1,307 debt expenditures per student - FAIL 10.54% growth in enrollment - PASS \$2,488,491 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:

No material noncompliance noted in audit report in any fiscal year.

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:

NEISD was fully accredited in all fiscal years

13. 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:

2009-2010	\$63,787,978	Balance	Pass
2008-2009	\$55,895,747	Balance	Pass
2007-2008	\$58,561,823	Balance	Pass

North East Independent School District Schools FIRST Indicators & Results

- 14. 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:

2009-2010	\$ 71,894,269	General Fund fund balance			
			<u>154,603,142</u>	Capital Projects fund balance	
			<u>\$226,497,411</u>	Aggregate fund balance > 0	
2008-2009	\$ 61,002,284	General Fund fund balance			
			<u>354,128,459</u>	Capital Projects fund balance	
			<u>\$415,130,743</u>	Aggregate fund balance > 0	
2007-2008	\$ 70,993,011	General Fund fund balance			
			<u>525,348,305</u>	Capital Projects fund balance	
			<u>\$164,592,852</u>	Aggregate fund balance > 0	

- 15. 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:

2009-2010	\$64,249,972	greater than \$9,598,906
2008-2009	\$95,130,748	greater than \$8,793,482
2007-2008	\$90,365,759	greater than \$8,972,880

North East Independent School District Schools FIRST Indicators & Results

16. 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:

2009-2010	NEISD Administrative Cost Ratio = \$0.0514
2008-2009	NEISD Administrative Cost Ratio = \$0.0512
2007-2008	NEISD Administrative Cost Ratio = \$0.0525

State Standard

All Years Administrative Cost Ratio < \$0.1105

17. 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 than 13.5 students per teacher.

NEISD Result:

2009-2010	14.9 students per teacher
2008-2009	14.7 students per teacher
2007-2008	14.6 students per teacher

State Standard

Range between 13.5 and 22.0 students per teacher

18. 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 7.0 students per district employee.

NEISD Result:

2009-2010	7.6 students per staff member
2008-2009	7.4 students per staff member
2007-2008	7.5 students per staff member

State Standard

Range between 7.0 & 14 students per staff member

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- 19. 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:

	Optimum Fund Balance	Actual Fund Balance
2009-2010	\$120,471,633	\$71,894,269
2008-2009	\$98,637,727	\$61,002,284
2007-2008	\$100,925,331	\$70,993,011

- *20. 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:

2009-2010	Unreserved, undesignated fund balance increased by \$833,624 or 1.23%.
2008-2009	Unreserved, undesignated fund balance decreased by \$17,866,192 or 23.8%. NEISD only earned one point on this indicator.
2007-2008	Unreserved, undesignated fund balance decreased by \$6,246,213 or 10.19%

North East Independent School District Schools FIRST Indicators & Results

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

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

NEISD Result:

2009-2010	\$64,249,972
2008-2009	\$95,130,748
2007-2008	\$90,365,759

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

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

NEISD Result:

2009-2010	\$10 per student. NEISD earned zero points
2008-2009	\$39 per student
2007-2008	\$111 per student

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Appendix A: Superintendent's Contract

The current contract for Dr. Brian Gottardy, NEISD Superintendent, is posted on the NEISD web site @ <http://www.neisd.net/regs/documents/GottardyContract2011.pdf>

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Appendix B: Reimbursable Expenditures For the Year Ended June 30, 2011

	<u>Meals</u>	<u>Lodging</u>	<u>Transportation</u>	<u>Fuel</u>	<u>Other</u>	<u>Total</u>
Dr Richard A Middleton	\$ 625.38	5,513.02	3,783.53	2,437.40	4,720.67	\$ 17,080.00
Dr. Brian Gottardy			76.00	459.00	632.58	1,167.58
Ms Beth Plummer	105.06	537.11	80.62	-	449.83	1,172.62
Ms Brigitte Perkins	29.99	372.26	-	-	228.06	630.31
Ms Sandy Hughey	29.99	885.65	97.96	-	83.06	1,096.66
Ms Susan Galindo	409.53	711.38	2,958.25	-	259.47	4,338.63
Mr Edd White	0.00	522.81	58.47	-	313.91	895.19
Ms Letti Bresnahan	417.90	1,425.76	1,069.76	-	1,124.06	4,037.48
Mr Randy Bristow	50.98	711.38	298.90	-	380.72	1,441.98
	<u>\$ 1,668.83</u>	<u>\$ 10,679.37</u>	<u>\$ 8,423.49</u>	<u>\$ 2,896.40</u>	<u>\$ 8,192.36</u>	<u>\$ 31,860.45</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 not 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, 2011

Board Member	Amount of Business Transactions
Ms Beth Plummer	\$ -
Ms Brigitte Perkins	-
Ms Sandy Hughey	-
Ms Susan Galindo	-
Mr Edd White	-
Ms Letti Bresnahan	-
Mr Randy Bristow	-
Total	\$ -

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. NEISD paid Fulbright & Jaworski \$73,621.25 for services rendered in fiscal year 2010-2011.

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Appendix D: Superintendent's Outside Income For the Year Ended June 30, 2011

Source	Superintendent's Outside Income
Trinity University Dr. Richard Middleton	\$ 3,500.00
Total	<u>\$ 3,500.00</u>

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Appendix E: Gifts to Superintendent and Board For the Year Ended June 30, 2011

	<u>Gifts</u>
Dr. Richard A Middleton	\$ -
Dr. Brian Gottardy	-
Ms. Beth Plummer	-
Ms. Brigitte Perkins	-
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.

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Appendix F: First Quarter Expenditure Report As of September 30, 2010

General Fund Expenditure Report by Major Object Codes

Object	Description	Balance
6100	Payroll and related benefits	46,830,364.71
6200	Contracted Services	7,693,451.67
6300	Supplies and Materials	3,896,658.34
6400	Other Operating Costs	1,361,994.51
6500	Debt payments	-
6600	Capital Expenditures	18,136.50
	Subtotal	<u>59,800,605.73</u>

1. Within the last two years, did the District (1) draw funds from a short term financing note (term less than twelve months) between the months of July and October, inclusive, and (2) for the prior fiscal year, have a total General Fund balance of less than two percent of total expenditures for General Fund function codes 11 – 61?
 - (1) The District did not have any short term financing agreements.
 - (2) The General Fund fund balance totaled approximately 15.4% of expenditures in functions 11 through 61.
2. Has the District declared financial exigency within the past two years.
The District declared financial exigency in fiscal year 2009-2010.

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Appendix F: First Quarter Expenditure Report As of September 30, 2010

(continued)

3. Provide comments or explanations for student-to-staff ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.

NEISD increased fund balance by \$10.9 million in fiscal 2009-10 according to audited financial statements. Student staff ratio is within the normal range. NEISD has earned a "Superior" rating on Schools FIRST since the inception of the financial rating system. Financial exigency was declared in October 2009 in anticipation of future funding cuts by the State of Texas. This declaration allowed NEISD to eliminate expensive programs such as the A/B schedule at our high schools.

4. How many superintendents has your school district had in the last five years?
 - a. One (as of September 30, 2010).
5. How many business managers has your school district had in the last five years?
 - a. Two
 - i. Wess Robinson
 - ii. Dr. Brian Gottardy