

School FIRST

Our Financial Accountability Vital Signs Public Hearing – November 14, 2016

The Rating System

The State's goal is to provide additional transparency to public education through meaningful financial oversight and improvement for school districts. This effort is a continuation of our year 2015 financial data. Fall 2016/2016

The Rating System

Point
7 indicators = 4 (FIRST) Critical Indicators = 1
Other indicators measured in 10 points

Percent & Score
15 indicators = 100 points
Critical indicators are 40 points
Other indicators measured in 60 points
scale, including state average = 20/100

2015-2016 Score
16/20 points = First
0-15 points = Fail



Was the complete annual financial report (AFR) and the data submitted on or before December 31st, 2015?

RISD's answer: Yes. We passed the indicator.

Other Indicators

Was the school district's administrative cost ratio equal to or less than the threshold ratio?

10% and above will be a 0 on percentage. Other budget that Texas school districts compiled on administration. This indicator asks, "Were your administrative expenses at or below the cap for districts of your size?"

Points possible for districts with ADA=10,000
0% - 6.5% = 10 points
6.5% - 11.25% = 8 points
11.25% - 15.0% = 6 points
15.0% - 18.75% = 4 points
18.75% - 22.5% = 2 points
22.5% - 26.25% = 0 points

RISD's answer: RISD's administrative cost ratio was 9.7%, so we received 10 points.

Did the external independent auditor report that the AFR was free of any instances of material weaknesses in internal controls, were financial reporting and compliance for fiscal, state, or federal funds? (The AFR is administrative weakness)

Any control weaknesses in controls create a risk of the district not being able to properly account for the use of public funds and should be immediately addressed. Material weaknesses or deficiencies are weaknesses that could result in a material misstatement of financial information.

RISD's answer: Yes. Our audit report was free of material weaknesses, so we received 10 points.

Did the comparison of Public Disclosure Information Management System (PDMS) data and financial data for the school district result in a total variance of less than 3 percent of all expenditures by function?

This indicator measures the quality of data reported to PDMS and in your annual financial report to make certain that the data reported is reliable "handbook".

Points possible:

0% - 2.99% variance = 10 points
3.0% variance = 0 points

RISD's answer: RISD's aggregate variance for 2015 was 0.1%, so we received 10 points.

Other Requirements:

The following required disclosures have been provided in hard copy: Superintendent's Compensation Contract and affidavit on the date of this hearing (November 7, 2016); Board members' contracts for the Superintendent and Board Members for fiscal year 2016.

Additional reporting requirements not applicable to RISD for 2016: Disclosure of Financial Commitments and Other Items Received by the Superintendent for professional consulting and/or other personal services for fiscal year 2016; Disclosure of Gifts Received by the Superintendent and Board Members (and first degree relatives, if any) in fiscal year 2016; Board's Disclosure of all business transactions between the school district and Board Members for fiscal year 2016. (None)

RISD's 2016 FIRST Results:

We received the maximum possible score of 20 points to receive a rating of

Pass
2016 Rating: 20/20 Points: Percent

The Rating System

- **The State's Goal:** to provide additional transparency to public education finance and meaningful financial oversight and improvement for school districts
- 2015-2016 rating is based on fiscal year 2015 financial data

The Rating System

Past

- 7 indicators (4 critical)
Critical indicators are pass/fail
- Other indicators measured on a 10 point scale

2015-2016 Rating:

- 70-100 points = Superior
- 50-69 points = Above Standard
- 31-49 points = Meets Standard
- <31 points = Substandard

Present

- 15 indicators (5 critical)
Critical indicators are pass/fail
- Other indicators measured on a 10 point scale, becoming more stringent in 2016-2017

Critical Indicators

Was the complete annual financial report (AFR) and the data submitted on or before November 28 or January 27 depending on the district's fiscal year end date of June 30 or August 31 respectively?

A simple indicator. Was your annual financial report filed on time? (RISD's deadline is November 28th)

RISD's Answer: Yes. We passed this indicator.

Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

Another simple indicator: Did you make all of your required debt service payments on time?

RISD's Answer: Yes. We passed this indicator.

Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?

Another simple indicator: Did you make all of your required payroll liability payments on time?

RISD's Answer: Yes. We passed this indicator.

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.)

An unmodified opinion means there were no indications of financial mismanagement, material errors or poor controls. A district's goal, therefore, is to receive an unmodified or "clean" opinion on its annual financial report.

RISD's Answer: Yes. RISD received an unmodified opinion. We passed this indicator.

Was the total unrestricted net asset balances (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (automatic yes if the district's 5 year % change in students was 10% or more)

This indicator simply asks if the unrestricted assets are greater than unrestricted liabilities. The indicator also recognizes that high-growth districts incur large amounts of debt to fund construction, and that total debt may exceed the total amount of assets in certain situations.

RISD's Answer: Yes. Unrestricted Net Assets, net of accretion, were \$94,154,476. We passed this indicator.

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A simple indicator. Was your annual financial report filed on time? (RISD's deadline is November 28th)

RISD's Answer: Yes. We passed this indicator.

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Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

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RISD's Answer: Yes. We passed this indicator.

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This indicator simply asks if the unrestricted assets are greater than unrestricted liabilities. The indicator also recognizes that high-growth districts incur large amounts of debt to fund construction, and that total debt may exceed the total amount of assets in certain situations.

RISD's Answer: Yes. Unrestricted Net Assets, net of accretion, were \$96,154,476. We passed this indicator.

Other Indicators

Was the number of days of cash on hand and current investments in the general fund for the district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?

Possible points :

>90 days	= 10 points
75 – 90 days	= 8 points
60 - 74 days	= 6 points
45 - 59 days	= 4 points
30 - 44 days	= 2 points
<30 days	= 0 points

RISD's answer: RISD's number of days of cash on hand was 156, so we received 10 points.

Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?

Possible points :

>3.00 = 10 points

2.50 – 3.00 = 8 points

2.00 – 2.49 = 6 points

1.50 – 1.99 = 4 points

1.00 – 1.49 = 2 points

<1.00 = 0 points

RISD's answer: RISD's current assets to current liabilities ratio was 2.9, so we received 8 points.

Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?

Possible points :

<0.60 = 10 points

$0.61 - 0.70$ = 8 points

$0.71 - 0.80$ = 6 points

$0.81 - 0.90$ = 4 points

$0.91 - 1.00$ = 2 points

>1.00 = 0 points

RISD's answer: RISD's ratio of long-term liabilities to total assets was 0.1, so we received 10 points.

Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the district's number of days of cash on hand greater or equal to 60 days?

Possible points :

>0% = 10 points

<0% = 0 points

RISD's answer: RISD's general fund revenues exceeded it's expenditures by 5.89%, so we received 10 points.

Was the debt service coverage ratio sufficient to meet the required debt service?

Possible points :

>1.20 = 10 points

$1.15 - 1.20$ = 8 points

$1.10 - 1.14$ = 6 points

$1.05 - 1.09$ = 4 points

$1.00 - 1.04$ = 2 points

>1.00 = 0 points

RISD's answer: RISD's debt service ratio was 1.73, so we received 10 points.

Was the school district's administrative cost ratio equal to or less than the threshold ratio?

TEA and state law set a cap on the percentage of their budget that Texas school districts can spend on administration. This indicator asks, "Were your administrative expenses at or below the cap for districts of your size?"

Possible points for districts with ADA > 10,000:

0% - 8.55% = 10 points

8.56% - 11.05% = 8 points

11.06% - 13.55% = 6 points

13.56% - 16.05% = 4 points

16.06% - 18.55% = 2 points

>18.55% = 0 points

RISD's answer: RISD's administrative cost ratio was 5.79%, so we received 10 points.

Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the school district enrollment did not decrease, the school district will automatically pass this indicator.)

RISD's answer: RISD's enrollment did not decrease, so we received 10 points.

Did the comparison of Public Education Information Management System (PEIMS) data like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?

This indicator measures the quality of data reported to PEIMS and in your annual financial report to make certain that the data reported in each case “matches us”.

Points possible:

<3% variance = 10 points

> 3% variance = 0 points

RISD's answer: RISD's aggregate variance for 2015 was 0%, so we received 10 points.

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.)

Any internal weaknesses in controls create a risk of the district not being able to properly account for the use of public funds and should be immediately addressed. Material weaknesses are defined as weaknesses that could result in a material misstatement of financial information.

RISD's answer: Yes. Our audit report was free of material weaknesses, so we received 10 points.

Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?

RISD's answer: RISD's did not receive an adjusted repayment schedule, so we received 10 points.

Other Requirements:

The following required disclosures have been provided in hard copy:

- Superintendent's Employment Contract effective on the date of this hearing (November 7, 2016).
- Reimbursements received by the superintendent and Board Members for fiscal year 2016.

Additional reporting requirements not applicable to RISD for 2016:

- Disclosure of all outside compensation and/or fees received by the Superintendent for professional consulting and/or other personal services for fiscal year 2016. (None)
- Disclosure of any gifts received by Executive Officer(s) and Board members (and first degree relatives, if any) in fiscal year 2016. (None)
- Disclosure of all business transactions between the school district and Board Members for fiscal year 2016. (None)

RISD's 2016 FIRST Results:

- We received 98 points to receive a rating/status of **Superior/Passed.**

State-Wide Rating Results:

2016 Rating	#Districts	Percent
Superior	1003	98.04%
Above Standard	16	1.56%
Substandard	4	0.39%

State-Wide Status Results:

2016 Rating	#Districts	Percent
Pass	1019	99.6%
Fail	4	0.4%

Thank You!!

