

Introduction

School FIRST (Financial Integrity Rating System of Texas), is a financial accountability system for Texas school districts developed by the Texas Education Agency (TEA) in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of School FIRST is to achieve quality performance in the management of school districts' financial resources. This goal is made more significant due to the complexity of accounting associated with Texas' school finance system.

Every school district is required to hold a public meeting and distribute a financial management report that explains the district's performance under each of the 22 indicators and the district's rating. This year's rating is based on data from the 2009-10 school year.

Included in this report is the TEA FIRST **2009-10 District Status Detail**, which shows the District's rating, a description of the 22 indicators and the score for each indicator. Also included are an **Overview of the Ratings Worksheet** and a layman's explanation of **How Ratings Are Assessed**.

Wharton ISD's score of 77 was within the range (72-80) for a "**Superior Achievement**" rating. Wharton ISD met or exceeded the highest standard on 20 of the 22 indicators on the Financial Accountability Ratings Worksheet.

As of calendar year 2007, new reporting requirements are effective for the financial management report. These disclosures are presented as appendices in the back of this report.

Overview of the Ratings Worksheet

The FIRST Rating Worksheet was developed by the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO). It is administered by TEA and calculated on information submitted to TEA via our Public Education Information Management System (PEIMS) submission and other documentation submitted to TEA.

The Worksheet consists of 22 indicators, each scored on a point system of 0 – 5, with the exception of the Critical Indicators.

Critical Indicators

Indicators **#1 through #6** are the critical indicators. Any “NO” response in this category is an indicator of fiscal distress. These six indicators revolve around the audit report, fund balance and the auditor’s findings. For the 2009-10 fiscal year, Wharton ISD had an Unreserved General Fund Balance of \$7,381,493 and received an Unqualified Opinion, the highest rating, on the annual independent audit. The District passed all critical indicators.

Fiscal Responsibility & Academic Performance

Indicators **#7 through #12** concern fiscal responsibility and academic performance.

#7 – The District’s academic rating was Academically Acceptable.

#8 – The District’s 3-year average percentage of tax collections of 98.88% exceeds the standard of 98%.

#9 – This is a data quality measure that compares financial data submitted via PEIMS to that in the audit report. The measure has an acceptable variance level of 3%. The District’s variance level was 0.000076%.

#10 – The District’s debt-related expenditures per student of \$735.68 is above the standard of \$350. A score of 3 (of 5) was awarded on this indicator.

#11 – The District had no disclosures of noncompliance on the annual independent audit.

#12 – The District has full financial accreditation status.

Budgeting

Indicators **#13 through #15** concern budgeting, management and cash flow practices.

#13 – The District did not overspend its budget.

#14 – All construction projects were adequately financed and these expenditures did not adversely affect fund balance.

#15 – The District does not spend cash it cannot afford to spend or cannot recognize as revenue, such as TEA overpayments. The ratio of cash and investments to deferred revenues of 24 to 1 exceeded the standard of greater than 1 to 1.

Personnel

Indicators **#16 through #18** concern administrative costs and district-wide staffing patterns.

#16 – The District’s administrative cost ratio of 9.76% was 30% below the State standard of 14.01%. Texas has a legal cap on administrative costs and a formula for calculating the percentage that is mandated by law. Simply, it divides administrative costs by instructional costs to arrive at the percentage.

Administrative Cost Ratio

<u>Year</u>	<u>State Standard</u>	<u>District Actual</u>	<u>\$\$\$ Under the Standard</u>
2009-10	14.01%	9.76%	\$413,336 (30%)

#17 & #18 – A district must fall into a certain range to meet these staffing pattern indicators. Wharton ISD was awarded 5 (of 5) points for 12.82 students per classroom teacher and 4 (of 5) points for 6.25 students per employee (all employees).

Cash Management

The final four indicators deal with cash management practices.

#19 – The District’s General Fund Balance of \$7,385,235 was 101.05% of the TEA-calculated optimum fund balance, so it easily met this indicator of whether fund balance is too high or low (more than 50% or less than 150% of the optimum).

#20 – This indicator notes rapid decreases in fund balance to pay operating expenses. The standard is less than 20% decrease in Undesignated, Unreserved fund balance over two fiscal years. For 2010, the District had a 6.4% increase in this fund balance over 2008.

#21 – The District had total cash and investments of \$7,729,174.

#22 - The District’s investment earnings of \$55 per student exceeded the standard of \$20 per student.

Summary

Wharton ISD received a score of 77 of 80 to earn a FIRST rating of “Superior Achievement”. The District will continue to look for ways to improve overall business management practices and operating efficiency. While faced with ever increasing federal and state compliance, an inequitable, fixed income state funding model and increasing maintenance and operating cost, we will adapt and strive to overcome these obstacles in pursuit of our mission of maximizing educational opportunities for all students. The Wharton ISD Board of Trustees, administration,

instructional and support staff have worked hard to maintain and improve the financial position of the District. This report demonstrates that commitment to our students and the community.