



The Midlothian ISD has received a rating of "**Superior Achievement**" under the state's Schools FIRST financial accountability rating system for the fourth consecutive year. The "Superior Achievement" rating is the state's highest rating that can be obtained by a school district, demonstrating the quality of MISD's financial management and reporting system.

"We are pleased with Midlothian ISD's Schools FIRST rating for the fourth consecutive year," said Superintendent Dr. J.D. Kennedy, "The report supports the fact that we constantly strive to make the most of our resources."

He added, "We want our community to know that we are committed to being accountable in all district operations from student learning to financial management."

This is the fourth year that the Schools FIRST has been used by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. 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 questions a school district must address in completing the worksheet used to assess its financial management system can be confusing to non-accountants. The following is an explanation of what the questions mean – and what our district's answers can mean to its rating.

Midlothian ISD answered "yes" to 21 out of 21 indicators that were used to determine our district's Schools FIRST rating.

Indicator Description

- 1. **Was total Fund Balance less Reserved Fund Balance greater than zero in the General Fund?** School districts must legally have a fund balance to ensure adequate funding for operations. This indicator is designed to ensure that our district has a positive amount of fund balance cash (savings) that is not designated or "reserved" for a specific purpose. In other words, "Does our district have funds set aside for a rainy day?"

- 2. **Were there NO disclosures in the Annual Report and/or other sources of information concerning default on bonded indebtedness obligations?** This indicator seeks to make certain that our district has paid our bills/obligations on bonds issued to pay for school construction, etc.

- 3. **Was the Annual Financial Report 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)?** Was our Annual Financial Report filed by the deadline?

4. **Was there an Unqualified Opinion in the Annual Financial Report?** A "qualification" on our financial report means that we need to correct some of our reporting or financial controls. A district's goal, therefore, is to receive an "unqualified opinion" on its Annual Financial Report. This is a simple "Yes" or "No" indicator.
5. **Did the Annual Financial Report NOT disclose any instance(s) of material weakness in internal controls?** A clean audit of our Annual Financial Report would state that our district has no material weaknesses in internal controls. Any internal weaknesses create a risk of our District not being able to properly account for its use of public funds, and should be immediately addressed.
6. **Was the percent of total tax collections (including delinquent) greater than 96 percent?** This indicator measures our district's success in collecting the taxes owed to us by our community's businesses and homeowners, placing a 96 percent minimum collection standard. We must collect 96 percent or more of our taxes, including any delinquent taxes owed from past years.
7. **Did the comparison of PEIMS data to like information in the Annual Financial Report result in an aggregate variance of less than 4 percent of expenditures per fund type (Data Quality Measure)?** This indicator measures the quality of data reported to PEIMS and in our Annual Financial Report 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 4 percent, our district "fails" this measure.
8. **Were Debt-Related Expenditures (net of IFA and/or EDA allotment) less than \$770 per student?** (If the district's five year percent change in students was a 2 percent increase or more, or if property taxes collected per penny of tax effort were more than \$100,000, then answer this indicator YES.) This indicator shows the Legislature's intent for school districts to spend money on education, rather than fancy buildings, by limiting the amount of money district's can spend on debt to \$770 per student. Fortunately, the Legislature did allow for fast-growth schools to exceed this cap.
9. **Was there NO disclosure in the Annual Audit Report of Material Noncompliance?** NO disclosure means the Annual Audit Report includes no disclosure indicating that the school district failed to comply with laws, rules and regulations for a government entity.
10. **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 our district due to financial issues such as fraud or having a negative fund balance? If not, we pass this indicator.
11. **Was the percentage of Operating Expenditures expended for Instruction more than 54 percent?** This indicator shows our district'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 (Function 11).
12. **Was the aggregate of Budgeted Expenditures and Other Uses LESS THAN the aggregate of Total Revenues, Other Resources and Fund Balance in General Fund?** Did we overspend our budget? Our district will receive a negative rating of this measure if our total expenditures and other uses for the fiscal year exceeded our total funds available.

13. **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 we over-spend on school buildings or other capital projects? This indicator measures our district's ability to construct facilities without damaging our Fund Balance.
14. **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 our district has sufficient cash and investments to balance Fund Balance monies such as TEA overpayments (deferred revenues). In other words, our 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 we should not be spending "next year's" monies this year.
15. **Was the Administrative Cost Ratio less than the standard in State Law?** TEA and state law sets a cap on the percentage of their budget that Texas school districts can spend on administration. Did we exceed the cap for districts of our size?
16. **Was the Ratio of Students to Teachers within the ranges allowed according to district size?** This indicator measures our pupil-teacher ratio to ensure that it is within TEA recommended ranges for districts of our student population range. For example, districts with a student population between 500 and 1,000 should have no more than 22 students per teacher and no fewer than 10 students per teacher.
17. **Was the Ratio of Students to Total Staff within the ranges allowed according to district size?** This indicator measures our pupil-staff ratio to ensure that it is within TEA-recommended ranges for district's of our student population range. For example, districts with a student population between 500 and 1,000 should have no more than 14 students per staff member and no fewer than 5.5 students per district employee.
18. **Was the Total Fund Balance in the General Fund more than 50% and less than 150% of optimum according to the fund balance and cash flow calculation worksheet in the annual financial report?** Our district should have no less than one-half and no more than one and one-half times this amount in our Fund Balance, counting both reserved and unreserved fund balances.
19. **Was the decrease in 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.)** Are we "feeding off of our Fund Balance" to pay for salaries or other district operating expenses? This indicator notes rapid decreases in our undesignated Fund Balance (those dollars not designated as a "land fund" or "construction fund") or emergency fund.
20. **Was the Aggregate Total of Cash and Investments in the General Fund more than \$0?** Does our district have cash in the bank, and/or investments?
21. **Were Investment Earnings in all funds more than \$15 per student?** Are we using our cash or reserve fund (Fund Balance) monies wisely?