



FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS

Fiscal year 2005-2006

October 9, 2007

RIO GRANDE CITY CISD



Rio Grande City CISD Earns State's Highest Fiscal Accountability Rating: A Superior Rating

Rio Grande City Consolidated Independent School District officials announced that the district received a rating of "Superior Achievement" under Texas' Schools FIRST financial accountability rating system. The Superior Achievement rating is the state's highest, demonstrating the quality of Rio Grande City CISD's financial management and reporting system.

This is the fifth year of Schools FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas school districts developed 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 significant due to the complexity of accounting associated with Texas' school finance system.

"The School Board and myself are extremely proud with Rio Grande City CISD Schools FIRST "Superior Rating," stated Roel A. Gonzalez, Rio Grande City CISD Superintendent. "What this simply illustrates to our taxpayers is our District working effectively and efficiently with the taxpayer's money. This rating exem-

plifies that RGCCISD's schools are being held to the highest summit of accountability– not only in the area of student performance, but also toward financial responsibility and acknowledgement."

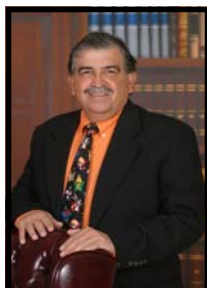
The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being "Superior Achievement," followed by "Above-Standard Achievement," "Standard Achievement" and "Substandard Achievement" or "Suspended - Data Quality." Districts that receive the "Substandard Achievement:" or "Suspended - Data Quality" ratings under Schools FIRST must file a corrective action plan with the Texas Education Agency.

For more information, please contact the RGCCISD Business Office at (956) 716-6710 or visit us online at www.rgccisd.org.

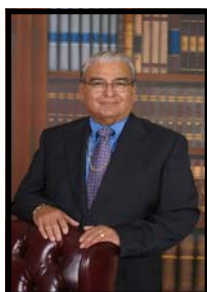
Inside this issue:

| | |
|--|-----------|
| Board of Trustees | 2 |
| Our Mission and Vision | 2 |
| Introduction to School FIRST | 3 |
| Purpose of Financial Accountability | 3 |
| FIRST Worksheet– Current & Prior Year | 4 |
| FIRST Worksheet Disclosures | 7 |
| Rating Worksheet Overview | 12 |

Board of Trustees



Basilio Villarreal, Jr.
Board President



Francisco Zarate
Board Vice-President



Cesar Gonzalez
Board Secretary



Roberto Gutierrez
Board Member



Noe Gonzalez
Board Member



Silvina Hinojosa
Board Member



Roel A. Gonzalez
Superintendent



Ruben Klein
Board Member

Our Mission

As an educational organization committed to preparing all students to meet the academic, creative and social challenges and responsibilities of our society,

We will:

- Implement a rigorous, integrated, technological and comprehensive curricula from Pre-K to pos secondary
- Provide school facilities that are conducive to a safe and orderly learning environment
- Attract, retain, and develop qualified and effective personnel
- Provide and maintain an effective and efficient fiscal management system
- Embrace school/community partnership.

By focusing on cooperation and communication, delivering quality service, and having high expectations, all students will acquire the marketable job skills and/or post-secondary pre-requisites to succeed in our dynamic global society.

Our Vision

We are an educational organization that exemplifies achievement, credibility, and commitment in preparing all students to meet the academic, creative, and social challenges and responsibilities of our society.

Introduction

Senate Bill (SB) 218 of the 77th Legislature (2001) authorized the implementation of a financial accountability rating system, which is officially referred to as School FIRST. The primary goal of School FIRST is to improve the management of school districts' financial resources. School FIRST was developed in consultation with the Comptroller of Public Accounts, and its development also benefited from the many comments that were received from school districts and regional education service center personnel. The school district's School FIRST rating is based upon an analysis of staff and student data reported for the 2005-2006 school year, and budgetary and actual financial data for the 2006 school year (for Rio Grande City CISD, the fiscal period ended August 31, 2006).

Senate Bill 218 also requires each school district to prepare an Annual Financial Accountability Management Report. Many business-related issues are covered in this report, however, it focuses on the Schools FIRST rating worksheet. This worksheet was developed by representatives of the Texas Education Agency (TEA), the Texas Business & Educational Council (TBEC) and the Texas Association of School Business Officials (TASBO). The worksheet is used to rate the District according to twenty-one defined indicators, each weighted equally, except for the first five critical indicators. A negative response to any of the first three critical indicators results in the district receiving a rating of "Substandard Achievement."

Rio Grande City CISD's rating under Schools FIRST for the year ended August 31, 2006, was "Superior Achievement." This report briefly describes data used to calculate the rating and what each indicator means. Other information affecting the District's financial accountability is also included.



Purpose of the Financial Accountability Rating System

The financial Accountability Rating System ensures that school districts will be:

- Held accountable for the quality of their financial management practices and
- Achieve improved performance in the management of their financial resources

It discloses the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools.

This rating system was designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes.



Financial Integrity Rating System of Texas
2005-2006 DISTRICT STATUS DETAIL

Name: Rio Grande City CISD (214901)

Rating: Superior Achievement

Indicators Answered Yes: 19

Indicators Answered No: 2

| # | Indicator Description | 2004-2005 Results | 2005-2006 Results |
|---|--|-------------------|-------------------|
| 1 | Was the total fund balance less reserved fund balance greater than zero in the General Fund? | YES | YES |
| 2 | Were there No Disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations? | YES | YES |
| 3 | Was the Annual Financial Report filed within one month after November 27th or January 28th deadline depending upon the District's fiscal year end date (June 30th or August 31st)? | YES | YES |
| 4 | Was there an Unqualified Opinion in Annual Financial Report? | YES | YES |
| 5 | Did the Annual Financial Report not disclose any instance(s) of material weakness in internal controls? | YES | YES |
| 6 | Was the percent of total tax collections (including delinquent) greater than 96%? | YES | NO |
| 7 | Did the comparisons of PEIMS data to like information in Annual Financial Report result in an aggregate variance of less than 4 percent of expenditures per fund type (data quality measure)? | YES | YES |
| 8 | Were debt related expenditures (net of IFA and/or EDA allotment) < \$770.00 per student? (If the district's five year percent change in students = or > 2%, or if Property Taxes collected per penny of tax effort > \$100,000, then answer this indicator yes). | YES | YES |
| 9 | Was there No Disclosure in the Annual Audit Report of material noncompliance? | YES | YES |

| # | Indicator Description | 2004-2005 Results | 2005-2006 Results |
|----|--|-------------------|-------------------|
| 10 | Did the District have full accreditation status in relation to financial management practices? (e.g. No master or monitor assigned) | YES | YES |
| 11 | Was the percent of operating expenditures expended for instruction more than 54%? | YES | YES |
| 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? | YES | YES |
| 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? (To avoid creating or adding to the fund balance deficit situation) | YES | YES |
| 14 | Was the ration of cash and investments to deferred revenues (excluding amount equal to net delinquent taxes receivables) in the General Fund = or > 1:1? (If deferred revenues < net delinquent taxes receivable, then answer this indicator yes) | YES | YES |
| 15 | Was the administrative cost ratio less than the Standard in State law? | YES | YES |
| 16 | Was the ration of students to teachers within the ranges shown below according to district size? | YES | YES |
| 17 | Was the Ratio of students to total staff within the ranges shown below according to district size? | NO | NO |
| 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? | YES | YES |
| 19 | Was the decrease in undersigned unreserved fund balance < 20% over two fiscal year? (If 1.5 times optimum fund balance < total fund balance in general fund or if total revenues > Operating expenditures in the general fund, then answer this indicator yes) | YES | YES |
| 20 | Was the aggregate total of cash and investments in the general fund more than \$0? | YES | YES |
| 21 | Were investment earnings in all funds more than \$15 per student? | YES | YES |

Determination of Rating

| | | |
|----|--|---|
| A. | Did the District answer ' NO ' to indicators 1, 2, or 3? OR Did the District answer ' NO ' to both 4 and 5? If so, the District's rating is Substandard Achievement . | |
| B. | Determine Rating by Applicable Range for the Number of Indicators Answered ' NO ': | |
| | Superior Achievement | 0-2 |
| | Above Standard Achievement | 3-4 |
| | Standard Achievement | 5-6 |
| | Substandard Achievement | 7 + OR ' NO ' To Critical Indicator(s) |

Indicator 16 & 17 Ratios

| Indicator 16 | Ranges for Ratios | |
|--|-------------------|------|
| District Size - Number of Students Between | Low | High |
| < 500 | 7 | 22 |
| 500-999 | 10 | 22 |
| 1000-4999 | 11.5 | 22 |
| 5000-9999 | 13 | 22 |
| => 10000 | 13.5 | 22 |

| Indicator 17 | Ranges for Ratios | |
|--|-------------------|------|
| District Size - Number of Students Between | Low | High |
| < 500 | 4 | 14 |
| 500-999 | 5.5 | 14 |
| 1000-4999 | 6 | 14 |
| 5000-9999 | 6.5 | 14 |
| => 10000 | 6.6 | 14 |



Disclosures

Copy of the Superintendent's Current Employment Contract



Disclosures

Reimbursements Received by the Superintendent and Board Members for Fiscal year 2006

| For the Twelve-month Period Ended August 31, 2006 | Superintendent | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member |
|---|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|--------------------|
| Description of Reimbursements | Roel A. Gonzalez | Cesar Gonzalez | Noe R. Gonzalez | Roberto Gutierrez | Silvina Hinojosa | Ruben Klein | Basilio Villarreal Jr. | Francisco Zarate |
| Meals | \$ 2,974.64 | \$ 720.00 | \$ 1,050.00 | \$ 750.00 | \$ 1,050.00 | \$ 150.00 | \$ 1,230.00 | \$ 1,470.00 |
| Lodgings | \$ 4,761.80 | \$ 850.53 | \$ 2,237.26 | \$ 2,237.26 | \$ 1,103.22 | | \$ 1,103.22 | \$ 2,134.05 |
| Transportation | \$ 3,310.33 | \$ 186.66 | \$ 1,264.14 | \$ 1,104.34 | \$ 1,761.70 | \$ 707.64 | \$ 1,131.20 | \$ 2,556.25 |
| Motor Fuel | | | | | | | | |
| Other | \$ 1,370.00 | \$ 315.00 | \$ 1,350.00 | \$ 1,085.00 | \$ 770.00 | \$ 150.00 | \$ 770.00 | \$ 1,035.00 |
| Total | \$ 12,416.77 | \$ 2,072.19 | \$ 5,901.40 | \$ 5,176.60 | \$ 4,684.92 | \$ 1,007.64 | \$ 4,234.42 | \$ 7,195.30 |



Disclosures

Reimbursements Received by the Superintendent and Board Members for Fiscal year 2006

| | |
|---|------|
| For the Twelve-month Period Ended August 31, 2006 | |
| Name(s) of Entity(ies) | |
| | |
| | |
| | |
| | |
| | |
| Total | \$ - |

NO AMOUNTS REPORTED



Disclosures

Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2006

| For the Twelve-month Period Ended August 31, 2006 | Superintendent | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member |
|---|------------------|----------------|-----------------|-------------------|------------------|--------------|------------------------|------------------|
| | Roel A. Gonzalez | Cesar Gonzalez | Noe R. Gonzalez | Roberto Gutierrez | Silvina Hinojosa | Ruben Klein | Basilio Villarreal Jr. | Francisco Zarate |
| Summary of Amounts | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

NO AMOUNTS REPORTED



Disclosures

Business Transactions Between School District and Board Members for Fiscal Year 2006

| For the Twelve-month Period Ended August 31, 2006 | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member |
|---|----------------|-----------------|-------------------|------------------|--------------|------------------------|------------------|
| | Cesar Gonzalez | Noe R. Gonzalez | Roberto Gutierrez | Silvina Hinojosa | Ruben Klein | Basilio Villarreal Jr. | Francisco Zarate |
| Summary of Amounts | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

NO AMOUNTS REPORTED

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 your 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?"

Rio Grande City CISD's fund balance in the General Fund after deduction for reserves at August 31, 2006, was \$16,388,199.

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 the District has paid its bills/obligations on bonds issued to pay for school construction, etc. Rio Grande City CISD had no instances of default on bonded indebtedness obligations.

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)?

Our Annual Financial Report for the fiscal year ended August 31, 2006, was filed with the Texas Education Agency within one month of the deadline date of January 28, 2007.

4. Was there an Unqualified Opinion in the Annual Financial Report?

The opinion expressed by our independent auditors on the August 31, 2006, Annual Financial Report was unqualified. A "qualification" on our financial reports would have meant that corrections were needed in some of our reporting or financial controls. A district's goal, therefore is to receive an "unqualified opinion" on its Annual Financial Report.

5. Did the Annual Financial Report NOT disclose any instance(s) of material weakness in internal controls?

No material weaknesses in internal controls were reported in our 2005-2006 audit.

Internal control weaknesses create a risk that a district would not be able to properly account for its use of public funds, and should be immediately addressed. An independent audit is required to state if a district had material weaknesses.

6. Was the percent of total tax collections (including delinquent) greater than 96 percent?

This indicator measures the District's success in collecting the taxes owed by the community's businesses and homeowners, placing a 96 percent minimum collections standard. Rio Grande City CISD percentage of tax collections for the 2005-2006 school year was 93.20%.

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 the 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, the district "fails" this measure. The District's data comparison resulted in an aggregate variance of less than 4% of expenditures per fund type.

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 districts can spend on debt to \$770 per student.

Debt related expenditures were less than \$770 per student.

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. Our Annual Audit Report for the year ended August 31, 2006, had no such disclosure.

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

Rio Grande City CISD had full accreditation status.

11. **Was the percentage of Operating Expenditures expended for Instruction more than 54 percent?**

This indicator shows a 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).

The percentage of operating expenditures expended for Instruction was 55.52 % which indicates that the District focuses the majority of its funding on student instruction.

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?**

A 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. A negative rating would indicate that the District had over-spent its budget.

Budgeted expenditures and other uses for the District was less than total revenues and other resources and fund balance in the General Fund. The District did not over spend its budget.

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?)**

This indicator measures the District's ability to construct facilities without damaging our Fund Balance. At August 31, 2006, the fund balance in the General Fund was \$21,893,402 and the Capital Projects Fund had a fund balance of \$24,158,356, for an aggregate of \$46,051,758 indicating that construction projects were adequately financed.

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 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 should not be spending "next year's" monies this year.

For the year ended August 31, 2006, cash and investments in the General Fund were 13,705,779.

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 based on district size.

The administrative cost ratio for Rio Grande City CISD as published by TEA was .0942 for fiscal year 2005-2006. The acceptable administrative cost ratio as determined by Schools FIRST is .125.

16. Was the Ratio of Students to Teachers within the range according to district size?

This indicator measures our pupil-teacher ratio to ensure that it is within TEA recommended ranges for a districts of our student population range.

The number of students, 9,723, to the number of teachers, 696, is 13.962, which is an allowable range based upon the Schools FIRST indicator for a district between 5,000 and 9,999 students. This indicator measures the pupil/teacher ratio to ensure that it is within the Texas Education Agency recommended ranges for the District's student population range. The District should have no more than 22 students per teacher and no fewer than 13.5 students per teacher.

17. Was the Ratio of Students to Total Staff within the range 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. A district like Rio Grande City CISD with 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 ratio of students to total staff was not in the allowable ranges according to the size of the District. The number of students, 9,723, to the number to total staff, 1,848, is 5.2608, which is not within the allowable range based upon the Schools FIRST indicator for a district between 5,000 and 9,999 students. The District should have no more than 14.00 students per staff and no fewer than 6.6 students per staff.

18. 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 Annual Financial Report?

The 2005-2006 optimum fund balance for the district is \$11,743,166. The total General Fund Balance was 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. At August 31, 2006, the District's Fund Balance was \$16,581,365.

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.)

This indicator attempts to identify districts that are utilizing 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, which could indicate a district is borrowing to pay for recurring costs that will continue to deplete the district's reserves.

Unreserved, undesignated fund balance for fiscal year 2006 is 15.63% less than the unreserved, undesignated fund balance for fiscal year 2004, which is within the 20% allowable percentage rate.

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

This indicator simply verifies that we have cash in the bank and/or investments. At August 31, 2006, the District had General Fund cash and investments totaling \$13,705,779.

21. Were Investment Earnings in all funds more than \$15 per student?

Verifying that investments earnings were more than \$15 per student indicates that the District is investing its funds wisely.

Investments for Rio Grande City were \$205.78 per student.