

ANNUAL FINANCIAL ACCOUNTABILITY MANAGEMENT REPORT

LAREDO INDEPENDENT SCHOOL DISTRICT



Laredo ISD Maintains State's Highest Fiscal Accountability

The Laredo Independent School District has received a rating of "Superior Achievement" for the fifth time under Texas' school finance accountability rating system.

This is the fifth year of Schools FIRST (Financial Integrity 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 and Senate Bill 218 of the 77th Legislature in 2001. The primary goal of Schools FIRST is to achieve quality performance in the management of school district's 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." Districts with serious data quality problems may receive the addi-

tional rating of "Suspend – 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.

In addition to the Superior FIRST rating, Laredo ISD has previously been awarded the Certificate of Excellence in Financial Reporting, Award for Outstanding Achievement in Popular Annual Financial Reporting, and Distinguished Budget Presentation awards from the Government Finance Officers Association of the United States and Canada (GFOA). In addition, the Association of School Business Officials International (ASBO) awarded the Certificate of Excellence in



Overview

Senate Bill 218 of the 77th Legislature (2001) and Senate Bill 875 of the 76th Texas Legislature (1999) 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 district 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 fiscal year (for Laredo Independent School District, 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 or a negative response to both the fourth and fifth critical indicators results in the district receiving a rating of "Substandard Achievement".

Laredo ISD's rating under Schools FIRST for the year ended August 31, 2006, is "Superior Achievement". This report briefly describes data used to calculate the rating and what each indicator means. In addition, the District is required to report on reimbursements to the superintendent and to the board members for the 2005-2006 school year. As required, the superintendent's current contract is posted on the District's website, www.laredoisd.org.

*LISD
Receives
"Superior"
Rating*

Overview	2
Purpose of the Financial Accountability Rating System	3
District's Goals	3
FIRST Worksheet	4
Rating Worksheet Overview	6
State and Region One Comparison	9
Board Member's Reimbursements	10
Superintendent's Reimbursements	11
Outside Compensation, Gifts, and Other Transactions	11

Purpose of the Financial Accountability Rating System

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.

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

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.

District's Goals

- I. LISD shall establish and maintain a safe, nurturing, positive and orderly environment for all students, employees, parents and visitors.
- II. LISD shall develop and implement a total quality management process to continuously increase effective productivity and performance across the entire school system.
- III. LISD shall produce a student focused action plan, designed to (a) integrate technology (b) improve district and student performance for all student populations and (c) meet state and federal required accountability mandates to include AEIS and AYP measures by providing a TEKS focused curriculum and instruction.
- IV. LISD shall develop and optimize district capacity through instructional leadership building programs to include, but not limited to, the recruitment, development and retention of highly qualified staff.
- V. LISD shall maximize fiscal and human resources and will utilize sound fiscal planning for all campuses, departments and programs.
- VI. LISD shall promote community partnerships and parental involvement to improve student performance, productivity, and efficiency of the school system.

ANNUAL FINANCIAL ACCOUNTABILITY MANAGEMENT REPORT

Page 4



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

Name: **LAREDO ISD(240901)**

Rating: Superior Achievement

Indicators Answered YES: 20

Last Updated: 8/23/2007 9:30:25 AM

Indicators Answered NO: 1

#	Indicator Description	Updated	Result
1	<u>Was The Total Fund Balance Less Reserved Fund Balance Greater Than Zero In The General Fund?</u>	6/14/2007 10:47:23 AM	Yes
2	<u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u>	6/14/2007 10:47:23 AM	Yes
3	<u>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)?</u>	6/14/2007 10:47:23 AM	Yes
4	<u>Was There An Unqualified Opinion in Annual Financial Report?</u>	6/14/2007 10:47:23 AM	Yes
5	<u>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</u>	6/14/2007 10:47:23 AM	Yes
6	<u>Was The Percent Of Total Tax Collections (Including Delinquent) Greater Than 96%?</u>	6/14/2007 10:47:23 AM	Yes
7	<u>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)?</u>	6/14/2007 10:47:23 AM	Yes
8	<u>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)</u>	7/10/2007 5:10:58 PM	Yes
9	<u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u>	6/14/2007 10:47:23 AM	Yes
10	<u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Master Or Monitor Assigned)</u>	6/14/2007 10:47:23 AM	Yes
11	<u>Was The Percent Of Operating Expenditures Expended For Instruction More Than 54%?</u>	6/14/2007 10:47:23 AM	Yes
12	<u>Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?</u>	6/14/2007 10:47:23 AM	Yes

#	Indicator Description	Updated	Result
13	<u>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)</u>	6/14/2007 10:47:23 AM	Yes
14	<u>Was The Ratio 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)</u>	6/14/2007 10:47:23 AM	Yes
15	<u>Was The Administrative Cost Ratio Less Than The Standard In State Law?</u>	6/14/2007 10:47:23 AM	Yes
16	<u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u>	6/14/2007 10:47:23 AM	Yes
17	<u>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</u>	6/14/2007 10:47:23 AM	No
18	<u>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?</u>	6/14/2007 10:47:23 AM	Yes
19	<u>Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years? (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)</u>	6/14/2007 10:47:23 AM	Yes
20	<u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u>	6/14/2007 10:47:23 AM	Yes
21	<u>Were Investment Earnings In All Funds More Than \$15 Per Student?</u>	6/14/2007 10:47:23 AM	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		Indicator 17	Ranges for Ratios	
District Size - Number of Students	Low	High	District Size - Number of Students	Low	High
Between			Between		
< 500	7	22	< 500	4	14
500-999	10	22	500-999	5.5	14
1000-4999	11.5	22	1000-4999	6	14
5000-9999	13	22	5000-9999	6.5	14
=> 10000	13.5	22	=> 10000	6.6	14

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 (savings) that is not designated or "reserved" for a specific purpose.

Laredo ISD's fund balance in the General Fund after reduction for reserves at August 31, 2006, was \$8,620,000. The previous year's fund balance was \$19,759,984.

A District that answers "No" to any indicators 1 to 3 automatically receives a rating of "Substandard Achievement"

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.

Laredo ISD 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.

If both indicators 4 & 5 are answered "No", the District automatically receives a rating of "Substandard Achievement"

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

The opinion expressed by our independent auditors on the August 31, 2005, 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. The District must collect 96 percent or more of taxes, including any delinquent taxes owed from past years.

Laredo ISD's percentage of tax collections for the 2005-2006 school year was 100.45%. For the 2004-2005 school year, the collection percentage was 100.17%?

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.

Laredo ISD’s data quality measure was 0, far below the allowable 4 percent variation.

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.

Laredo ISD’s debt-related expenditures for the 2005-2006 school year was \$272.06 per student, meeting the criteria. Debt-related expenditures in school year 2004-2005 were \$356.45 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)

Laredo ISD 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).

For the year ended August 31, 2006, Laredo ISD’s percentage of operating expenditures for instruction was 57.32 percent. In 2004-2005, the percentage was 59.7 percent.

12. Was the aggregate of Budgeted Expenditures and Other Uses LESS THAN the aggregate of Budgeted Total Revenues, and Other Resources plus beginning 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 overspent its budget.

Laredo ISD’s aggregated budgeted total revenues, other resources and fund balance exceeded expenditures and other uses by \$5,382,969 in the General Fund for the year ended August 31, 2006.

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 \$24,223,221 and the Capital Projects Fund had a fund balance of \$26,664,183, for an aggregate of \$50,887,404, 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 funds such as TEA overpayments (deferred revenues). In other words, the District should have fund balance funds 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" funds this year.

For the year ended August 31, 2006, cash and investments in the General Fund were \$31,627,466. Deferred revenues less net delinquent taxes receivables amounted to \$355,699. Laredo ISD ended the year with a ratio of 31:1.

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. For districts in Laredo ISD's category, the administrative cost ratio should fall below 11.05 percent. Our District's ratio for the 2005-2006 school year was 9.13 percent, well below the state cap.

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 districts of our student population range. A district like Laredo ISD with population greater than 10,000 should have no more than 22 students per teacher and no fewer than 13.5 students per teacher. For the 2005-2006 school year, Laredo ISD had 15.61 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 Laredo ISD 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. For the 2005-2006 school year, Laredo ISD had 6.43 students, per district employee. Therefore, the District did not meet this indicator.

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 \$39,113,879. We 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. As of August 31, 2006, the District's Fund Balance was \$24,223,221, 61.92% percent of the calculated optimum fund balance.

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, which could indicate a district is borrowing to pay for recurring costs that will continue to deplete the district's reserves.

The District is in compliance with this indicator based on the 2005-2006 data.

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. As of August 31, 2006, the District had General Fund cash and investments totaling \$29,784,908. The District had \$31,627,466 at August 31, 2005.

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. For the school year ending August 31, 2006, Laredo ISD's investment earnings per student were \$358.24.

Laredo ISD was one of 944 school districts in the state of Texas that received a "Superior Rating". The chart below presents statewide and Region One results by rating.

2004-2005 Rating Counts (All Districts)				
Ratings	Statewide		Region One	
	Count	% Total	Count	% Total
Superior Achievement	944	92.48%	30	94.74%
Above Standard Achievement	62	5.01%	3	2.63%
Standard Achievement	3	0.39%	0	0.00%
Substandard Achievement	24	2.03%	2	2.63%
Suspended Due to Data Quality	1	0.10%	1	0.00%
Total	1,034	100%	36	100%

BOARD OF TRUSTEES



John Peter Montalvo
President



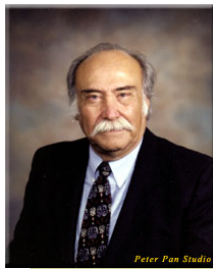
Jesus Justo Guerra
Vice President



Guillermina Montes
Secretary



Jorge Luis Rodriguez
Parliamentarian



Jose A. Valdez
Trustee



George M. Beckelhymer
Trustee



Daniel Rigal
Trustee

Our Mission

The mission of the Laredo Independent School District, as an educational partner with the City of Laredo and the larger global community, is to develop and educate our students by providing a relevant and challenging curriculum through innovative programs and effective use of the resources in a safe and nurturing environment.

Board Members' Reimbursements

For the Twelve-Month Period
Ended August 31, 2006

Description	George Beckelhymer	Guillermina Montes	John Peter Montalvo	Jesus J. Guerra	Jorge Rodriguez	Dr. Dennis Cantu	Daniel Rigal
Meals	\$ 381.00	\$ 1,064.00	\$ 407.31	\$ 1,194.00	\$ 360.00	\$ 60.00	\$ 360.00
Lodging	1,189.09	1,378.69	720.16	3,216.82	720.16	-	720.16
Transportation	890.19	1,565.57	385.41	1,831.28	385.41	187.92	385.41
Motor Fuel	-	-	-	-	-	-	-
*Other	1,369.88	2,009.87	465.00	1270.00	1,189.87	674.91	514.96
Total	\$ 3,830.16	\$ 6,018.13	\$ 1,977.88	\$ 7,512.10	\$ 2,655.44	\$ 922.83	\$ 1,980.53

*Other includes registration fees, telephone/cell phone, internet service, fax machine and other reimbursement not defined.

Superintendent's Reimbursements

For the Twelve-Month Period
Ended August 31, 2006

Description	Dr. D. Garcia Superintendent	Mr. J. Amezcuca, CPA Interim Superintendent
Meals	\$ 422.00	\$ 162.00
Lodging	664.72	485.00
Transportation	1,179.49	-
Motor Fuel	1,030.30	1,065.86
Other	1,283.35	394.00
Total	\$ 4,579.86	\$ 2,106.86

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services

For the Twelve-Month Period
Ended August 31, 2006

Name(s) of Entity(ies)	Amount Received
None	\$ -
Total	\$ -

Gifts Received by Executive Officers and Board Members (and First Degree Relatives, if any)

(Gifts that had an economic value of \$250 or more in the aggregate in the fiscal year)

For the Twelve-Month Period
Ended August 31, 2006

Name(s) of Entity(ies)	Amount Received
None	\$ -
Total	\$ -

Business Transactions Between School District and Board Members

For the Twelve-Month Period
Ended August 31, 2006

Name(s) of Entity(ies)	Amount Received
None	\$ -
Total	\$ -

LAREDO INDEPENDENT SCHOOL DISTRICT

www.laredoisd.org



Office of Financial Management
1702 Houston St.
Laredo, TX 78040

Phone: 956-795-3254
Fax: 956-795-3253
www.laredoisd.org



For additional information, please contact:

Mr. Alvaro Perez
Interim Chief Financial Officer
Phone: (956) 795-4112

Financial Management Department
Phone: (956) 795-3250