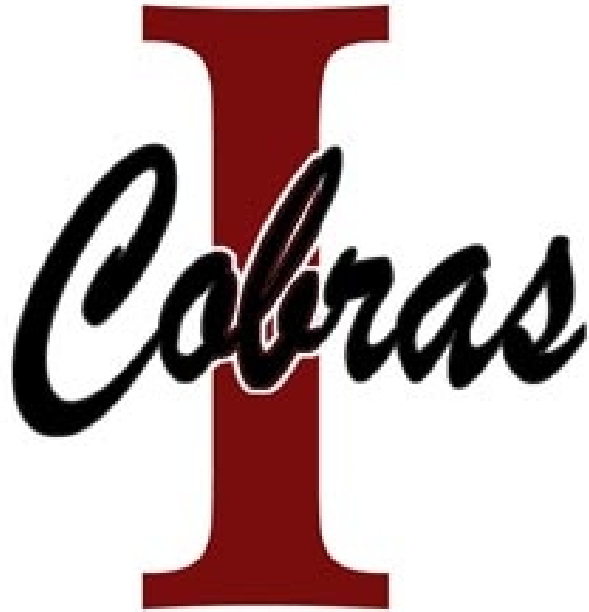


**Industrial Independent School District
Vanderbilt, Texas**

**2013 Annual Financial
Management Report – Schools FIRST**

For the Year Ending August 31, 2012



**Tony Williams, Superintendent of Schools
Jessica Hunt, CPA, Business Manager**

**INDUSTRIAL INDEPENDENT SCHOOL DISTRICT
SCHOOLS FIRST REPORT FOR 2011-2012**

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Introduction

During the 77th regular session of the Texas Legislature (2001), Senate Bill 218 was passed and Governor Perry signed it into law shortly thereafter. This law requires each school district to prepare an annual financial accountability report each year. The District's final rating of "Superior Achievement" is included in this report.

Many business-related issues are covered in this report. The primary reporting tool, however, is the Financial Accountability Ratings Worksheet. Representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO) developed this worksheet. It is administered by TEA and calculated on information submitted to the Agency via our PEIMS submission each year and other documentation procured by TEA. The accuracy of PEIMS data has always been critical on the student side of the submission, and this reporting requirement adds a high degree of importance to our finance submission each year.

The worksheet consists of 20 criteria, each weighted equally with the exception of the Critical Indicators. A "No" response in criteria #1, #2, #3 or #4 or #5 and #6 together automatically result in a rating of Substandard Achievement, so these first six criteria are of utmost importance.

Currently, the District enjoys a rating of "*Superior Achievement*", scoring a perfect 70 points out of a possible 70 on the financial accountability worksheet. The worksheet itself and a discussion of its points follow.



Financial Integrity Rating System of Texas

2011-2012 DISTRICT STATUS DETAIL

Name: INDUSTRIAL ISD(120905)		Publication Level 1: 6/21/2013 3:05:18 PM	
Status: Passed		Publication Level 2: 9/12/2013 6:29:59 PM	
Rating: Superior Achievement		Last Updated: 9/12/2013 6:29:59 PM	
District Score: 70		Passing Score: 52	
#	Indicator Description	Updated	Score
1	<u>Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?</u>	4/26/2013 5:22:26 PM	Yes
2	<u>Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)</u>	4/26/2013 5:22:26 PM	Yes
3	<u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u>	4/26/2013 5:22:26 PM	Yes
4	<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>	4/26/2013 5:22:27 PM	Yes

5	<u>Was There An Unqualified Opinion in Annual Financial Report?</u>	4/26/2013 5:22:27 PM	Yes
6	<u>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</u>	4/26/2013 5:22:27 PM	Yes
			1 Multiplier Sum
7	<u>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</u>	4/26/2013 5:22:27 PM	5
8	<u>Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?</u>	4/26/2013 5:22:28 PM	5
9	<u>Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)</u>	4/26/2013 5:22:28 PM	5
10	<u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u>	4/26/2013 5:22:28 PM	5
11	<u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</u>	4/26/2013 5:22:29 PM	5
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>	4/26/2013 5:22:29 PM	5

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>	4/26/2013 5:22:29 PM	5
14	<u>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 Net Delinquent Taxes Receivable)</u>	4/26/2013 5:22:30 PM	5
15	<u>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</u>	4/26/2013 5:22:30 PM	5
16	<u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u>	4/26/2013 5:22:30 PM	5
17	<u>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</u>	4/26/2013 5:22:31 PM	5
18	<u>Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If Total Revenues > Operating Expenditures In The General Fund,Then District Receives 5 Points)</u>	4/26/2013 5:22:31 PM	5
19	<u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u>	4/26/2013 5:22:31 PM	5
20	<u>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?</u>	4/26/2013 5:22:31 PM	5
			70 Weighted Sum

1
Multiplier
Sum

70 Score

DETERMINATION OF RATING

A. Did The District Answer '**No**' To Indicators 1, 2, 3 Or 4? **OR** Did The District Answer '**No**' To Both 5 and 6? If So, The District's Rating Is **Substandard Achievement**.

B. Determine Rating By Applicable Range For summation of the indicator scores (Indicators 7-20)

Superior Achievement	64-70
Above Standard Achievement	58-63
Standard Achievement	52-57
Substandard Achievement	<52

INDICATOR 16 & 17 RATIOS

Indicator 16	Ranges for Ratios		Indicator 17	Ranges for Ratios	
	Low	High		Low	High
District Size - Number of Students Between			District Size - Number of Students Between		
< 500	7	22	< 500	5	14
500-999	10	22	500-999	5.8	14
1000-4999	11.5	22	1000-4999	6.3	14
5000-9999	13	22	5000-9999	6.8	14
=> 10000	13.5	22	=> 10000	7.0	14

Overview of the Worksheet

Critical Indicators

Criteria #1 through #6 are the critical indicators. Any “NO” response in this category is a signal indicator of fiscal distress. These six criteria revolve around the audit report, fund balance and the auditor’s findings. If General Fund Balance is greater than zero and the auditors issue a “clean” opinion, a District will pass the critical indicators. For the 2011-2012 fiscal year, Industrial ISD had a General Fund Balance of \$6.8 million and passed all other critical indicator criteria.

Fiscal Responsibility

Criteria #7 through #11 concern fiscal responsibility. Industrial ISD’s percentage of tax collections exceeds the minimum standard of 98%. For the year under review, taxes were collected at a rate of 99.10% from the original tax levy, In 2010-2011, however \$17,500,000 of appraised value was removed from the IISD tax rolls after the levy was certified, resulting in a smaller percentage of tax collections. The three-year average collection rate is 98.19%. Criterion #8 measures the quality of data reported to PEIMS and in the District’s Annual Financial Report. Criterion #9 involves a calculation of debt related expenditures to student population growth. The intent is for school districts to spend money on education, rather than buildings and debt related expenditures. Criteria #10 and #11 are very similar to the Critical Indicators and Industrial easily passed on these two regarding no disclosures in the audit and full financial accreditation status.

Budgeting

Items #12 through #15 concern budgeting, management and cash flow practices. The District adequately funds its budget with revenues, other resources and fund balance from the General Fund. The District met all budgeting requirements and has sufficient cash and investments on hand.

Personnel

Items #16 and #17 deal with staffing patterns, specifically students to classroom teachers and students to total staff. A District must fall into a certain range to meet these criteria, which means understaffing can trigger a “NO” response. The District falls safely within the prescribed ranges for #16 & #17 criterion at 13.7093 students per teacher and at 7.1256 students per employee.

Cash Management

The final three criteria deal with cash management practices. Item #18 deals with any decrease in Unassigned General Fund Balance over two years. The District's Fund Balance has not decreased more than 20% in the last two years resulting in the District meeting Criterion # 18. Cash and investments were greater than \$0, so Criterion #19 was easily surpassed, and investment earnings exceeded the benchmark of the 3-Month Treasury Bill rate, therefore, passing Criterion #20.

Other Data Concerning the District's Operations

The purpose of this section of the report is to discuss other aspects of our business operations not covered by the worksheet, but suggested by law as items of significance meriting discussion. We should view the worksheet as a good basic tool with which to assess our primary business practices. However, we should not stop there! We should always be working towards improvement in all aspects of our operation to maximize funds available to campuses for educational purposes and to our ancillary departments that support our campuses. Briefly, we review a number of business practices not covered by the Financial Accountability Worksheet directly.

Financial Strength

The state of Texas recommends we discuss financial strength in this report. This is a difficult topic to address because there are many measures of financial strength, some are better than others, and it's hard to tell which one is the best measure. For Industrial ISD, we believe the most significant financial indicator of strength is our ability to manage our cash flow throughout the year while maintaining a healthy fund balance for the future.

Operating Cost Management

Only a small portion of our total General Fund expenditures is flexible or variable in nature. Salaries and benefits comprise the biggest expenditure each year. Utility payments fluctuate greatly from year to year, but still make up our second largest single expenditure. Once you remove these two large expenditures from the equation, you are left with a small portion of our budget that retains some semblance of control for us. Supplies, materials, travel and training and a few contracted services comprise this remaining balance. We consider these costs to be our controllable operating costs.

One measure the state of Texas uses to evaluate cost efficiency is the administrative cost ratio. Texas has a legal cap on administrative costs and a formula for calculating the percentage that is mandated by law. Simply, it takes administrative costs and divides them by instructional costs to arrive at a percentage. A district's size determines their administrative cost limitation. This criterion is covered in the worksheet for last year only, but since it deals with the sensitive issue of administrative costs, we felt it prudent to demonstrate how our ratio has actually hovered well below the cap over the past several years.

Administrative Cost Comparison

<u>Year</u>	<u>State Limit</u>	<u>District Actual</u>
2003-04	15.61%	11.02%
2004-05	15.61%	10.99%
2005-06	15.61%	12.54%
2006-07	15.61%	12.80%
2007-08	14.01%	13.28%
2008-09	14.01%	7.34%
2009-10	14.01%	7.17%
2010-11	14.01%	8.64%
2011-12	14.01%	8.43%

In a time of rising salaries and increased costs, Industrial ISD has shown a slight decrease in its administrative cost percentage. The District has also maintained a sizeable gap between its actual administrative cost percentage and the maximum amount allowed by law. We have done so via a conscious and concerted effort to contain administrative costs while funneling every possible dollar to the campuses to serve the needs of the students first.

Personnel Management

Second only to our students' welfare and education, attracting and retaining a quality teaching staff is our priority. Industrial has made strides to reach a competitive salary so that we can attract and retain quality professionals to our district. The District has a quality benefits program that compares very favorably with, and even surpasses that of, surrounding districts from a benefit coverage and employee contribution standpoint.

Debt Management

Of course, debt management is easier if local taxes are collected at a high collections rate consistently over the years. One of the worksheet criterion deals with this issue. Industrial's collection rate for the past four years has consistently exceeded 98%. The District has managed its debt burden well over the years with out incident.

Facility Acquisition and Construction Management

The District patrons passed a bond authorization in May of 2000. These funds were to be spent on various renovation and construction projects and major maintenance of existing facilities. The remaining bonds of \$4.45 million were issued in March of 2007 and construction and renovation are completed at this time. The 2000 Bond Issue was paid off in August 2013.

Cash Management

The worksheet addresses a couple of cash / investment issues, but only in a very basic manner. The worksheet criterion requires that a District have cash available, and that a minimal rate of return is earned. Policy mandates that we invest funds in a safe and objective manner to maximize earnings. Two different investment pools are utilized as well as our bank depository. Funds are placed within the pool or bank that currently pays the highest yield. A monthly review of the investment activity and performance is submitted to the Board of Trustees for review, as the law requires the board to review the investment report quarterly at a minimum.

Tax Collections

Criterion #7 discusses tax collections for the year under review. As important as this criterion is from year to year, we felt additional discussion was warranted. The minimum criterion is 98%, which our District has exceeded each year, with the exception of 2010-2011. The District certified the tax levy for \$7,177,639, subsequently the District was informed by the Victoria Appraisal District that approximately \$17,500,000 of appraised value was erroneously included on the tax rolls, resulting in decrease of \$240,188 of possible tax collections. Had that amount not been included on the certified tax levy then the 2010-2011 collection rate would have been 99.24%.

<u>For Year</u>	<u>Total Tax Collections</u>
04-05	.9988
05-06	1.0018
06-07	.9978
07-08	1.0016
08-09	.9935
09-10	.9909
10-11	.9592
11-12	.9910

Total tax collections include delinquent collections from previous years, which is why the District can collect in total more than the current year's levy. Industrial ISD has a relatively low delinquent tax balance, which is a positive sign of financial strength and stability in the community.

Budgetary Planning

Ideally, the District's budget process begins usually in January each year. Plans are already in place to begin the 14-15 budgeting process with a focus on reducing our expenditures while maintaining the quality programs Industrial standards dictate. The District's goal is to use the additional revenue generated by the Tax Ratification Election as efficiently possible to achieve the District's goals.

Summary

Although it is difficult to find fault with a Superior Rating on this important financial accountability worksheet, we will continually strive towards improvement in our practices and procedures. We will adapt to changing circumstances and strive to overcome obstacles in pursuit of our mission – “All of the Industrial Independent School District students will be taught a uniform curriculum based on State and District adopted courses of study. The District has high expectations of its students and declares its efforts and resources to assure that each student will learn and will be a contributing, responsible member of an ever-changing society”.

EDUCATION CODE
SUBTITLE H. PUBLIC SCHOOL SYSTEM ACCOUNTABILITY
CHAPTER 39. PUBLIC SCHOOL SYSTEM ACCOUNTABILITY
SUBCHAPTER I. FINANCIAL ACCOUNTABILITY

Sec. 39.201. DEFINITIONS. In this subchapter:

(1) "Parent" includes a guardian or other person having lawful control of a student.

(2) "System" means the financial accountability rating system.

Added by Acts 2001, 77th Leg., ch. 914, Sec. 1, eff. Sept. 1, 2001.

Sec. 39.202. DEVELOPMENT AND IMPLEMENTATION. (a) The commissioner shall, in consultation with the comptroller, develop and implement a financial accountability rating system for school districts in this state that:

(1) distinguishes among school districts based on levels of financial performance; and

(2) includes procedures to:

(A) provide additional transparency to public education finance; and

(B) enable the commissioner and school district administrators to provide meaningful financial oversight and improvement.

(b) The system must include uniform indicators adopted by the commissioner by which to measure a district's financial management performance.

Added by Acts 2001, 77th Leg., ch. 914, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2006, 79th Leg., 3rd C.S., Ch. [5](#), Sec. 2.05, eff. May 31, 2006.

Sec. 39.203. REPORTING. (a) The commissioner shall develop, as part of the system, a reporting procedure under which:

(1) each school district is required to prepare and distribute an annual financial management report; and

(2) the public is provided an opportunity to comment on the report at a hearing.

(b) The annual financial management report must include:

(1) a description of the district's financial management performance based on a comparison, provided by the agency, of the district's performance on the indicators adopted under Section 39.202(b) to:

(A) state-established standards; and

(B) the district's previous performance on the indicators; and

(2) any descriptive information required by the commissioner.

(c) The report may include:

(1) information concerning the district's:

(A) financial allocations;

(B) tax collections;

(C) financial strength;

(D) operating cost management;

(E) personnel management;

(F) debt management;

(G) facility acquisition and construction management;

(H) cash management;

(I) budgetary planning;

(J) overall business management;

(K) compliance with rules; and

(L) data quality; and

(2) any other information the board of trustees determines to be necessary or useful.

(d) The board of trustees of each school district shall hold a public hearing on the report. The board shall give notice of the hearing to owners of real property in the district and to parents of district students. In addition to other notice required by law, notice of the hearing must be provided:

(1) to a newspaper of general circulation in the district; and

(2) through electronic mail to media serving the district.

(e) After the hearing, the report shall be disseminated in the district in the manner prescribed by the commissioner.

Added by Acts 2001, 77th Leg., ch. 914, Sec. 1, eff. Sept. 1, 2001.



Disclosures

Reporting requirements for the financial management report for Schools FIRST public hearing are found in **Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System**. This rule describes requirements for the five (5) disclosures explained below that are to be presented as appendices in the Schools FIRST financial management report.

1. Superintendent's Employment Contract

The school district is to provide a copy of the superintendent's employment contract that is effective on the date of the Schools FIRST hearing in calendar year 2013. In lieu of publication in the Schools FIRST financial management report, the school district may choose to publish the superintendent's employment contract on the school district's Internet site. **If published on the Internet**, the contract is to remain accessible for twelve months.

The District has chosen to publish the Superintendent's Contract on the District's website.



Disclosures

2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2012

For the Twelve-month Period Ended August 31, 2012								
Description of Reimbursements	Superintendent Tony Williams	Missy Klimitchek	Delano Kinsfather	Chad Williams	Lee Lewis	James Baker	Clay Van Pelt	Dale Allen
Meals	\$ 381.76	\$ 72.00	\$ 108.00	\$ 72.00	\$ 72.00	\$ 72.00	\$ -	\$ -
Lodging	138.30	287.76	287.76	287.76	287.76	287.76	-	-
Transportation	6,507.59	150.96	345.78	155.40	-	150.96	-	-
Motor Fuel	-	-	-	-	-	-	-	-
Other	195.00	25.00	70.00	25.00	25.00	25.00	25.00	25.00
Total	\$ 7,222.65	\$ 811.54	\$ 811.54	\$ 540.16	\$ 384.76	\$ 535.72	\$ 25.00	\$ 25.00

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2011, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

Meals – Meals consumed off of the school district’s premises, and in-district meals at area restaurants (excludes catered meals for board meetings).

Lodging - Hotel charges.

Transportation - Airfare, car rental (can include fuel on rental), taxis, mileage reimbursements, leased cars, parking and tolls.

Motor fuel – Gasoline.

Other - Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.



Disclosures

3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2012

For the Twelve-Month Period Ended August 31, 2012	
Name(s) of Entity(ies)	
None	\$ -
Total	\$ -

Note – Compensation does not include business revenues from the superintendent’s livestock or agricultural-based activities on a ranch or farm. Report gross amount received (do not deduct business expenses from gross revenues). Revenues generated from a family business that have no relationship to school district business are not to be disclosed.



Disclosures

4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2012

For the Twelve-Month Period Ended August 31, 2012								
	Superintendent Tony Williams	Missy Klimitchek	Delano Kinsfather	Chad Williams	Lee Lewis	James Baker	Clay Van Pelt	Dale Allen
Summary Amounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification. Gifts received by first degree relatives, if any, will be reported under the applicable school official.



Disclosures

5. Business Transactions Between School District and Board Members for Fiscal Year 2012

For the Twelve-Month Period Ended August 31, 2012	Missy Klimitchek	Delano Kinsfather	Chad Williams	Lee Lewis	James Baker	Clay Van Pelt	Carl Allen
Summary Amounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note - The summary amounts reported under this disclosure are not to duplicate the items reported in the summary schedule of reimbursements received by board members.



Disclosures

6. Summary Schedule of Data Submitted to the Texas Education Agency for the Financial Solvency Provisions of TEC §39.0822

A. General Fund - First-Quarter Expenditures By Object Code

Report 2012-2013 first-quarter (first three months of fiscal year 2012-2013) GENERAL FUND expenditures by object code using whole numbers.

Payroll-	Expenditures for payroll costs	object codes 6110-6149	<u>\$ 2,260,536</u>
Contract Costs-	Expenditures for services rendered by firms, individuals, and other organizations	object code series 6200	<u>\$ 199,848</u>
Supplies and Materials-	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	object code series 6300	<u>\$ 190,183</u>
Other Operating-	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	object code series 6400	<u>\$ 227,922</u>
Debt Service-	Expenditures for debt service	object code series 6500	<u>\$ -</u>
Capital Outlay-	Expenditures for land, buildings, and equipment	object code series 6600	<u>\$ 300</u>

B. Districts with a September 1- August 31 fiscal year

Within the last two years, did the school district:

- 1) draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and
- 2) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?

Yes	No
_____	_____ <u>X</u> _____
_____	_____ <u>X</u> _____



Disclosures

	Yes	No
C. Has the school district declared financial exigency within the past two years?	_____	_____ <u>X</u>

D. Selected Trend Information.

Did the report contain supplemental comments or explanations for significant trends or measures involving:

	Yes	No
Student-to-staff ratios?	_____	_____ <u>X</u>
Fund Balances in General Fund?	_____	_____ <u>X</u>
Budget figures and projected revenues and expenditures?	_____	_____ <u>X</u>
Other?	_____	_____ <u>X</u>

If yes, excerpt comments or explanations provided to TEA below.

N/A

E. Superintendent:

How many superintendents has your school district had in the last five years? 1

F. Business Manager:

How many business managers has your school district had in the last five years? 2



Glossary

Accounting: A standard school fiscal accounting system must be adopted and installed by the board of trustees of each school district. The accounting system must conform to generally accepted accounting principles. This accounting system must also meet at least the minimum requirements prescribed by the state board of education, subject to review and comment by the state auditor.

Ad Valorem Property Tax: Literally the term means "according to value." Ad valorem taxes are based on a fixed proportion of the value of the property with respect to which the tax is assessed. They require an appraisal of the taxable subject matter's worth. General property taxes are almost invariably of this type. Ad valorem property taxes are based on ownership of the property, and are payable regardless of whether the property is used or not and whether it generates income for the owner (although these factors may affect the assessed value).

Adopted Tax Rate: The tax rate set by the school district to meet its legally adopted budget for a specific calendar year.

All Funds: A school district's accounting system is organized and operated on a fund basis where each fund is a separate fiscal entity in the school district much the same as various corporate subsidiaries are fiscally separate in private enterprise. All Funds refers to the combined total of all the funds listed below:

- The General Fund
- Special Revenue Funds (Federal Programs, Federally Funded Shared Services, State Programs, Shared State/Local Services, Local Programs)
- Debt Service Funds
- Capital Projects Funds
- Enterprise Funds for the National School Breakfast and Lunch Program

Assessed Valuation: A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assigned Fund Balance: The assigned fund balance represents tentative plans for the future use of financial resources. Assignments require executive management (per board policy to

assign this responsibility to executive management prior to end of fiscal year) action to earmark fund balance for bona fide purposes that will be fulfilled within a reasonable period of time. The assignment and dollar amount for the assignment may be determined after the end of the fiscal year when final fund balance is known.

Auditing: Accounting documents and records must be audited annually by an independent auditor. Texas Education Agency (TEA) is charged with review of the independent audit of the local education agencies.

Beginning Fund Balance: The General Fund balance on the first day of a new school year. For most school districts this is equivalent to the fund balance at the end of the previous school year.

Budget: The projected financial data for the current school year. Budget data are collected for the general fund, food service fund, and debt service fund.

Budgeting: Not later than August 20 of each year, the superintendent (or designee) must prepare a budget for the school district if the fiscal year begins on September 1. (For those districts with fiscal years beginning July 1, this date would be June 20.) The legal requirements for funds to be budgeted are included in the Budgeting module of the TEA Resource Guide. The budget must be adopted before expenditures can be made, and this adoption must be prior to the setting of the tax rate for the budget year. The budget must be itemized in detail according to classification and purpose of expenditure, and must be prepared according to the rules and regulations established by the state board of education. The adopted budget, as necessarily amended, shall be filed with TEA through the Public Education Information Management System (PEIMS) as of the date prescribed by TEA.

Capital Outlay: This term is used as both a Function and an Object. Expenditures for land, buildings, and equipment are covered under Object 6600. The amount spent on acquisitions, construction, or major renovation of school district facilities are reported under Function 80.



Capital Project Funds: Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.)

Cash: The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Chapter 41: A key "equity" chapter in the Texas Education Code (TEC) is Chapter 41. This chapter is devoted to wealth equalization through the mechanism of recapture, the recovery of financial resources from districts defined by the state as high property wealth. Resources are recovered for the purpose of sharing them with low-wealth districts. Districts that are subject to the provisions of Chapter 41 must make a choice among several options in order to reduce their property wealth and share financial resources.

Committed Fund Balance: The committed fund balance represents constraints made by the board of trustees for planned future use of financial resources through a resolution by the board, for various specified purposes including commitments of fund balance earned through campus activity fund activities. Commitments are to be made as to purpose prior to the end of the fiscal year. The dollar amount for the commitment may be determined after the end of the fiscal year when final fund balance is known.

Comptroller Certified Property Value: The district's total taxable property value as certified by the Comptroller's Property Tax Division (Comptroller Valuation).

Debt Service Fund: Governmental fund type used to account for the accumulation of resources for, and the payment of, general longterm debt principal and interest.

Debt Services: Two function areas (70 and 71) and one Object (6500) are identified using this terminology "debt services." Function 70 is a

major functional area that is used for expenditures that are used for the payment of debt principal and interest including Function 71. Expenditures that are for the retirement of recurring bond, capital lease principal, and other debt, related debt service fees, and for all debt interest fall under Function 71. Object 6500 covers all expenditures for debt service.

Deferred Revenue: Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

Effective Tax Rate: Provides the unit with approximately the same amount of revenue it had the year before on properties taxes in both years. A comparison of the effective tax rate to the taxing unit's proposed tax rate shows if there will be a tax increase.

Ending Fund Balance: The amount of unencumbered surplus fund balance reported by the district at the end of the specified school year. For most school districts this will be equivalent to the fund balance at the beginning of the next school year.

Excess (Deficiency): Represents receivables due (excess) or owed (deficiency) at the end of the school year. This amount is recorded as Asset Object 1200.

Existing Debt Allotment (EDA): Is the amount of state funds to be allocated to the district for assistance with existing debt.

Federal Revenues: Revenues paid either directly to the district or indirectly through a local or state government entity for Federally subsidized programs including the School Breakfast Program, National School Lunch Program, and School Health and Related Services Program. This amount is recorded as Revenue Object 5900.

Fiscal Year: A period of 12 consecutive months legislatively selected as a basis for annual financial reporting, planning, and budgeting. The fiscal year may run September 1 through August 31 or July 1 through June 30.



Foundation School Program (FSP) Status: The Foundation School Program (FSP) is the shared financial arrangement between the state and the school district, where property taxes are blended with revenues from the state to cover the cost of basic and mandated programs. The nature of this arrangement falls in one of the following status categories: Regular, Special Statutory, State Administered, Education Service Center, or Open Enrollment Charter School District.

FTE: Full-Time Equivalent measures the extent to which one individual or student occupies a full-time position or provides instruction, e.g., a person who works four hours a day or a student that attends a half of a day represents a .5 FTE.

Function: Function codes identify the expenditures of an operational area or a group of related activities. For example, in order to provide the appropriate atmosphere for learning, school districts transport students to school, teach students, feed students and provide health services. Each of these activities is a function. The major functional areas are:

- Instruction and Instructional-Related Services
- Instructional and School Leadership
- Support Services - Student
- Administrative Support Services
- Support Services; Non-Student Based
- Ancillary Services
- Debt Service
- Capital Outlay
- 90 Intergovernmental Charges

Fund Balance: The difference between assets and liabilities reported in a governmental fund.

General Administration: The amount spent on managing or governing the school district as an overall entity. Expenditures associated with this functional area are reported under Function 41.

General Fund: This fund finances the fundamental operations of the district in partnership with the community. All revenues and expenditures not accounted for by other funds are included. This is a budgeted fund and any fund balances are considered resources available for current operations.

I&S Tax Rate: The tax rate calculated to provide the revenues needed to cover Interest and Sinking (I&S) (also referred to as Debt Service). I&S includes the interest and principal on bonds and other debt secured by property tax revenues.

Incremental Costs: The amount spent by a school district with excess wealth per WADA on the purchase of attendance credits either from the state or from other school district(s). Expenditures associated with this functional area are reported under Function 92.

Instruction: The amount spent on direct classroom instruction and other activities that deliver, enhance or direct the delivery of learning situations to students regardless of location or medium. Expenditures associated with this functional area are reported under Function 11.

Instructional Facilities Allotment (IFA): (State Aid) Provides assistance to school districts in making debt service payments on qualifying bonds and lease-purchase agreements. Proceeds must be used for the construction or renovation of an instructional facility.

Intergovernmental Charges: "Intergovernmental" is a classification used when one governmental unit transfers resources to another. In particular, when a Revenue Sharing District purchases WADA or where one school district pays another school district to educate transfer students. Expenditures associated with this functional area are reported under Function 90.

Investments in Capital Assets, Net of Related Debt: One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

Local & Intermediate Revenues: All revenues from local taxes and other local and intermediate revenues. For specifics, see the definitions for Local Tax and Other Local & Intermediate Revenues. This amount is recorded under Object 5700.



Local Tax: This is all revenues from local real and personal property taxes, including recaptured funds from 1) Contracted Instructional Services Between Public Schools (Function 91) and 2) Incremental Costs associated with Chapter 41 of the Texas Education Code (Function 92).

M&O Tax Rate: The tax rate calculated to provide the revenues needed to cover Maintenance & Operations (M&O). M&O includes such things as salaries, utilities, and day-to-day operations.

Nonspendable Fund Balance: The portion of fund balance that is in non-liquid form, including inventories, prepaid items, deferred expenditures, long-term receivables and encumbrances (if significant). Nonspendable fund balance may also be in the form of an endowment fund balance that is required to remain intact.

Object: An object is the highest level of accounting classification used to identify either the transaction posted or the source to which the associated monies are related. Each object is assigned a code that identifies in which of the following eight major object groupings it belongs:

- 1000 Assets
- 2000 Liabilities
- 3000 Fund Balances
- 5000 Revenue
- 6000 Expenditures/Expenses
- 7000 Other Resources/NonOperating Revenue/Residual Equity Transfers In
- 8000 Other Uses/NonOperating Revenue/Residual Equity Transfers Out

Operating Expenditures: A wide variety of expenditures necessary to a district's operations fall into this category with the largest portion going to payroll and related employee benefits and the purchase of goods and services.

Operating Expenditures/Student: Total Operating Expenditures divided by the total number of enrolled students.

Operating Revenues and Expenses: Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement

preparers are advised to consider the definition of operating activities for cash flows reporting in establishing their own definition.

Other Local & Intermediate Revenues: All local and intermediate revenues NOT from local real and personal property taxes including:

- Revenues Realized as a Result of Services Rendered to Other School Districts
- Tuition and Fees
- Rental payments, interest, investment income
- Sale of food and revenues from athletic and extra/co-curricular activities
- Revenues from counties, municipalities, utility districts, etc.

Other Operating Costs: Expenditures necessary for the operation of the school district that are NOT covered by Payroll Costs, Professional and Contracted Services, Supplies and Materials, Debt Services, and Capital Outlay fall into this category and include travel, Insurance and bonding costs, election costs, and depreciation. This amount is recorded as Expenditure/Expense Object 6400.

Other Resources: This amount is credited to total actual other resources or non-operating revenues received or residual equity transfers in. This amount is recorded under Object 7020.

Payments for Shared Services Arrangements: Payments made either from a member district to a fiscal agent or payments from a fiscal agent to a member district as part of a Shared Services Arrangement (SSA). The most common types of SSAs relate to special education services, adult education services, and activities funded by the Elementary and Secondary Education Act (ESEA). Expenditures associated with this functional area are reported under Function 93.

Payroll: Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school district. This amount is recorded as Expenditure/Expense Object 6100. *(NOTE: Payroll amounts do not include salaries for contract workers, e.g., for food service and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)*



PEIMS: A state-wide data management system for public education information in the State of Texas. One of the basic goals of PEIMS, as adopted by the State Board of Education in 1986, is to improve education practices of local school districts. PEIMS is a major improvement over previous information sources gathered from aggregated data available on paper reports. School districts submit their data via standardized computer files. These are defined in a yearly publication, the PEIMS Data Standards.

Plant Maintenance & Operations: The amount spent on the maintenance and operation of the physical plant and grounds and for warehousing and receiving services. Expenditures associated with this functional area are reported under Function 51.

Property / Refined ADA: The district's Comptroller Certified Property Value divided by its total Refined ADA.

Property/WADA: The district's Comptroller Certified Property Value divided by its total WADA.

Qualified Opinion: Term used in connection with financial auditing. A modification of the independent auditor's report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor's general assertion that the financial statements are fairly presented.

Refined ADA: Refined Average Daily Attendance (also called RADA) is based on the number of days of instruction in the school year. The aggregate eligible days attendance is divided by the number of days of instruction to compute the refined average daily attendance.

Restricted Fund Balance: This is the portion of fund balance that has externally enforceable constraints made by outside parties.

Revenues: Any increase in a school district's financial resources from property taxes, foundation fund entitlements, user charges, grants, and other sources. Revenues fall into the three broad sources of revenues: Local & Intermediate; State; and Federal.

Robin Hood Funds: See Wealth Equalization Transfer.

Rollback Tax Rate: Provides governments other than school districts with approximately the same amount of tax revenue it spent the previous year for day-to-day operations plus an extra 8 percent cushion, and sufficient funds to pay its debts in the coming year. For school districts, the M&O portion of the rollback tax rate allows school districts to add four cents (\$0.04) to the lesser of the prior tax year compressed operating tax rate or the effective M&O rate to generate operating funds. School districts will get to add to the compressed operating rate any additional cents approved by voters at a 2006 or subsequent rollback election, not 8 percent. The rollback rate is the highest rate that the taxing unit may adopt before voters can petition for an election to roll back the adopted rate to the rollback rate. For school districts, no petition is required; it's an automatic election if the adopted rate exceeds the rollback rate.

School Year: The twelve months beginning September 1 of one year and ending August 31 of the following year or beginning July 1 and ending June 30. Districts now have two options.

Special Revenue Fund: A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

State Revenues: Revenues realized from the Texas Education Agency, other state agencies, shared services arrangements, or allocated on the basis of state laws relating to the Foundation School Program Act. This amount is recorded as Revenue Object 5800.

Unassigned Fund Balances: Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., committed or assigned). One primary criterion of rating agencies for school bonds is the relative amount of unassigned fund balance. Bond rating agencies view unassigned fund balances as a reflection of the financial strength of school districts and show concern when district fund balances decrease.

Unqualified Opinion: An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.



Glossary

Unrestricted Net Asset Balance: The term net asset refers to the amount of total assets less total liabilities. Unrestricted net asset balance refers to the portion of total net assets that is neither invested in capital assets nor restricted.

WADA: A Weighted Average Daily Attendance (WADA) is used to measure the extent students are participating in special programs. The concept of WADA in effect converts all of a school district's students with their different weights to a calculated number of regular students required to raise the same amount of revenue. The greater the number of students eligible for special entitlements, the greater a school district's WADA will be.

Wealth Equalization Transfer: The amount budgeted by districts for the cost of reducing their property wealth to the required equalized wealth level (Function 91). Sometimes referred to as Robin Hood Funds.

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