



# Duncanville ISD

## Schools FIRST Management Report

Financial Data for 2013-2014

Presented  
October 12, 2015

# Schools FIRST

State Financial Accountability Rating  
Board Presentation October 12, 2015

- 1) PowerPoint Presentation
- 2) Management Report



# SCHOOLS FIRST

MANAGEMENT REPORT -  
FINANCIAL INTEGRITY RATING  
SYSTEM OF TEXAS

# Objectives for Rating System

- Simple and Understandable
- Applicable to All Districts
- Based on Hard Data
- Allows for Self Administrations
- Zero Burden to Districts
- Provide an Early Warning
- Substantially within District's Control
- Linkage to Academic Performance (exceeds Academically Unacceptable)
- Transparency

# How ratings are assessed

- A rating worksheet with 7 indicators must be completed for each district
- Indicators 1 through 4 are answered either Passed or Failed
- Indicators 5 through 7 are rated based on a scale of 0 to 10

# Indicators and District Status

- 1 - Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 deadline?

2013-2014

Passed

# Indicators and District Status

- 2 – Was there an unmodified opinion in the AFR on the financial statements as a whole? The American Institute of Certified Public Accounts (AICPA) defines unmodified opinion.

2013-2014

Passed

# Indicators and District Status

- 3 – Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

2013-2014

Passed



# Indicators and District Status

- 4 – Was the total unrestricted net asset balance in the governmental activities column in the Statement of Net Assets greater than zero?

2013-2014

Passed

# Indicators and District Status

- 5 – Was the school district's administrative cost ratio equal to or less than the threshold ratio of  $<0.0855$ ?

2013-2014

0.0825    10 pts

# Indicators and District Status

- 6 – Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?

2013-2014

Passed 10 pts

# Indicators and District Status

- 7 – Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?

2013-2014

Passed 10 pts

# Determination of Rating

- Based on the summation of indicator scores:



Pass

Determine Rating By  
Applicable Range for  
Summation of the  
Indicator Scores 5-7

- Pass 16-30
- Substandard Achievement <16

# Additional Report Requirements

- Copy of Superintendent's Contract (posted on district website)
- Disclose transactions involving the Superintendent and Board Members (Travel and Other Reimbursements)
- Other compensation received by the Superintendent
- Disclose gifts from vendors to Board and Employees
- Board member business transactions with the district
- Summary schedule of the data submitted to TEA for financial solvency

# Duncanville ISD's Rating

Passed  
2013-2014  
(Score = 30)



# **DUNCANVILLE INDEPENDENT SCHOOL DISTRICT Management Report**

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Section One:  
Comparison to Prior Year

Financial Integrity Rating System of Texas  
Duncanville ISD

<b>2013-2014 PASSED</b>			
	<b>2013-2014 #</b>	<b>Indicator Description</b>	<b>2013-2014 Score</b>
	1	Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 deadline?	Yes
	2	Was there an unmodified opinion in the AFR on the financial statements as a whole? The American Institute of Certified Public Accounts (AICPA) defines unmodified opinion.	Yes
	3	Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?	Yes
	4	Was the total unrestricted net asset balance in the governmental activities column in the Statement of Net Assets greater than zero?	Yes
	5	Was the school district's administrative cost ratio equal to or less than the threshold ratio of <0.0855?	10
	6	Did the comparisons of Public Education Information Management System (PEIMS) data to like Information In the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?	10
	7	Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	10
Score:			30

**Section Two:  
Superintendent and Board Disclosures**

2013-2014 Superintendent and Board Member Disclosures

<b>Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2014</b>										
For the Twelve-month Period Ended June 30, 2014	Superintendent	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
Description of Reimbursements	Dr. Alfred Ray	Marlies Peregory	Phil McNeely	Carla Fahey	Elijah Granger	Tom Kennedy	Rene McNeely	Janice-Savage Martin	Marshal Wesley	Louis McElroy
Meals	\$ 294.36	\$ -	95.90	56.98	\$ -	133.94	\$ 20.29	\$ 164.25	\$ 38.11	46.07
Lodging	4,631.53	\$ 368.42	368.42	1,062.82	\$ 857.82	1,167.98	\$ -	\$ 1,507.46	\$ 281.22	499.22
Transportation	301.89	\$ 353.03	256.48	495.44	\$ 29.52	596.13	\$ -	\$ 469.30	\$ 271.04	302.55
Motor Fuel	-	\$ -	-	-	\$ -	-	\$ -	\$ -	\$ -	-
Other	1,617.13	\$ 300.00	683.00	362.53	\$ 410.00	1,075.22	\$ 350.00	\$ 1,027.00	\$ 1,120.00	331.00
<b>Total</b>	<b>\$ 6,844.91</b>	<b>\$ 1,021.45</b>	<b>\$ 1,403.80</b>	<b>\$ 1,977.77</b>	<b>\$ 1,297.34</b>	<b>\$ 2,973.27</b>	<b>\$ 370.29</b>	<b>\$ 3,168.01</b>	<b>\$ 1,710.37</b>	<b>\$ 1,178.84</b>

<b>Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2014</b>	
For the Twelve-month Period Ended June 30, 2014	Superintendent
Name(s) of Entity(ies)	Dr. Alfred Ray
None	\$ -
<b>Total</b>	<b>\$ -</b>

<b>Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2014</b>										
For the Twelve-month Period Ended June 30, 2014	Superintendent	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
	Dr. Alfred Ray	Marlies Peregory	Phil McNeely	Carla Fahey	Elijah Granger	Tom Kennedy	Rene McNeely	Janice-Savage Martin	Marshal Wesley	Louis McElroy
Summary Amounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<b>Business Transactions Between School District and Board Members for Fiscal Year 2014</b>										
For the Twelve-month Period Ended June 30, 2014	Superintendent	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
	Dr. Alfred Ray	Marlies Peregory	Phil McNeely	Carla Fahey	Elijah Granger	Tom Kennedy	Rene McNeely	Janice-Savage Martin	Marshal Wesley	Louis McElroy
Summary Amounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* Carla Fahey, Janice Savage-Martin and Rene McNeely served on the Education Foundation as Directors for 2013-2014.

**Duncanville Independent School District  
Data Submitted to the Texas Education Agency  
2013-2014 Financial Solvency**

*General Fund Expenditures for first quarter 2014-2015:*

Payroll Expenditures	\$ 15,079,336
Contract Cost	\$ 2,070,283
Supplies and Materials	\$ 986,130
Other Operating Expenditures	\$ 747,576
Debt Service	\$ 2,837,112
Capital Outlay	\$ 350,854

*Financial Solvency Questions:*

Did the District draw funds from a short-term financing note? No

Did the District declare financial exigency during the past 2 years? No

Were student to staff ratios significantly different than the norm, was there rapid depletion of fund balance, or any significant discrepancies between actual budget and projected revenue and expenditures? No

Number of Superintendents in last five years 1

Number of Business Managers in the last five years 2

## Section Three: How Ratings are Assessed



## How Ratings are Assessed

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### Rating Worksheet

Preliminary ratings are released by Texas Education Agency every calendar year during the summer. The Commissioner's Rules for School FIRST are contained in Title 19, Texas Administrative Code, Chapter 109, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System.

The School FIRST Communications Kit was updated in August 2015 to include major changes in the Commissioner's Rule for School FIRST that were finalized in August 2015. The changes in the Commissioner's Rule were authorized by HB 5, Section 49, 83rd Texas Legislature, Regular Session, 2013. House Bill 5 amended Section 39.082 Texas Education Code to require the commissioner of education to include processes in the financial accountability rating system for anticipating the future financial solvency of each school district and open-enrollment charter school.

The changes to the School FIRST system implemented by the Texas Education Agency in August 2015 are being phased-in over three years. During the phase-in period, the new School FIRST system has separate worksheets for rating years 2014-2015, 2015-2016, and 2016-2017 and subsequent years.

The questions a school district must address in completing the worksheet used to assess its financial management system can be confusing to non-accountants. The following is a layman's explanation of what the questions mean—and what your district's answers can mean to its rating.

**1. Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?**

A simple indicator. Was your Annual Financial Report filed by the deadline?

**2. Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)?**

A "modified" version of the auditor's opinion in your annual audit report means that you need to correct some of your reporting or financial controls. A district's goal, therefore, is to receive an "unmodified opinion" on its Annual Financial Report. This is a simple "Yes" or "No" indicator.

**3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted**



## How Ratings are Assessed

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are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)

This indicator seeks to make certain that your district has paid your bills/obligations on financing arrangements to pay for school construction, school buses, photocopiers, etc.

**4. Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)?**

This indicator simply asks, "Did the district's total assets exceed the total amount of liabilities (according to the very first financial statement in the annual audit report)?" Fortunately this indicator recognizes that high-growth districts incur large amounts of debt to fund construction, and that total debt may exceed the total amount of assets under certain scenarios.

**5. Was the school district's administrative cost ratio equal to or less than the threshold ratio**

This indicator measures the percentage of their budget that Texas school districts spent on administration. Did you exceed the cap in School FIRST for districts of your size?

**6. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function (Data Quality Measure)?**

This indicator measures the quality of data reported to PEIMS and in your 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 3 percent or more, your district "fails" this measure.

**7. Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)**  
?

A clean audit of your Annual Financial Report would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed.



## Section Four: Indicator Tests

RATING YEAR



Financial Integrity Rating System of Texas

## 2014-2015 RATINGS BASED ON SCHOOL YEAR 2013-2014 DATA - DISTRICT STATUS DETAIL

<b>Name:</b> <b>DUNCANVILLE ISD(057907)</b>	<b>Publication Level 1:</b> 8/20/2015 11:24:40 AM
<b>Status:</b> <b>Passed</b>	<b>Publication Level 2:</b> 8/20/2015 11:24:40 AM
<b>Rating:</b> Pass	<b>Last Updated:</b> 8/20/2015 11:24:40 AM
<b>District Score:</b> 30	<b>Passing Score:</b> 16

#	Indicator Description	Updated	Score
1	<a href="#"><u>Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</u></a>	4/6/2015 2:37:41 PM	Yes
2	<a href="#"><u>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</u></a>	4/6/2015 2:37:42 PM	Yes
3	<a href="#"><u>Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u></a>	4/6/2015 2:37:42 PM	Yes
4	<a href="#"><u>Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</u></a>	7/30/2015 12:15:40 PM	Yes
			1 Multiplier Sum
5	<a href="#"><u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u></a>		10

		7/15/2015 11:49:12 AM	
6	<a href="#">Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?</a>	8/17/2015 5:45:11 PM	10
7	<a href="#">Did the external independent auditor report that the AFR was free of any instance (s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)</a>	4/6/2015 2:37:44 PM	10
			30 Weighted Sum
			1 Multiplier Sum
			30 Score

### DETERMINATION OF RATING

<b>A.</b>	Did The District Answer 'No' To Indicators 1, 2, 3, Or 4? If So, The District's Rating Is <b>Substandard Achievement</b> .	
<b>B.</b>	Determine Rating By Applicable Range For Summation of the Indicator Scores (Indicators 5-7)	
	<b>Pass</b>	16-30
	<b>Substandard Achievement</b>	<16

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## Section Five: Statewide Statistics

RATING YEAR



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Financial Integrity Rating System of Texas

**OVERALL STATISTICS  
2013-2014 STATUS COUNTS**

Status	Count	% Total	Enrollment	% Total Enrollment
Passed	1,012	98.83 %	4,905,013	99.44 %
Failed	12	1.17 %	27,844	0.56 %
<b>Total</b>	<b>1,024</b>	<b>100.00 %</b>	<b>4,932,857</b>	<b>100.00 %</b>

**2013-2014 RATING COUNTS**

Ratings	Count	% Total	Enrollment	% Total Enrollment
Pass	1,012	98.83 %	4,905,013	99.44 %
Substandard Achievement	12	1.17 %	27,844	0.56 %
<b>Total</b>	<b>1,024</b>	<b>100.00 %</b>	<b>4,932,857</b>	<b>100.00 %</b>

**2013-2014 ALL RESULTS BY INDICATOR**

Indicator	Result	Count	% of Districts	Enrollment	% Total Enrollment
1	Yes	1021	99.71 %	4931140	99.97 %
	No	3	0.29 %	1717	0.03 %
2	Yes	1022	99.80 %	4912880	99.60 %
	No	2	0.20 %	19977	0.40 %
3	Yes	1024	100.00 %	4932857	100.00 %
	No	0	0.00 %	0	0.00 %
4	Yes	1022	99.80 %	4932572	99.99 %
	No	2	0.20 %	285	0.01 %
5	10	847	82.71 %	4512004	91.47 %

	8	116	11.33 %	329457	6.68 %
	6	34	3.32 %	69092	1.40 %
	4	11	1.07 %	16051	0.33 %
	2	5	0.49 %	3764	0.08 %
	0	11	1.07 %	2489	0.05 %
6	10	1009	98.54 %	4896496	99.26 %
	0	15	1.46 %	36361	0.74 %
7	10	999	97.56 %	4871836	98.76 %
	0	25	2.44 %	61021	1.24 %

### 2013-2014 ANSWERS BY INDICATOR

Indicator	Yes	No	10	8	6	4	2	0	Total
1	1021	3	x	x	x	x	x	x	1024
2	1022	2	x	x	x	x	x	x	1024
3	1024	x	x	x	x	x	x	x	1024
4	1022	2	x	x	x	x	x	x	1024
5	x	x	847	116	34	11	5	11	1024
6	x	x	1009	x	x	x	x	15	1024
7	x	x	999	x	x	x	x	25	1024

Last Updated: Saturday, September 26, 2015 10:08:09 AM

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## Section Six: Glossary



## GLOSSARY

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**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





## GLOSSARY

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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 long-

term 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



## GLOSSARY

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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



## GLOSSARY

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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.

**Modified Opinion:** Term used in connection with financial auditing. A modification of the independent auditor's report means there exists one or more specific exceptions to the auditor's general assertion that the district's financial statements present fairly the financial information contained therein according to generally accepted accounting principles.

**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



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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.

**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



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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.

**Unmodified Opinion:** Term used in connection with financial auditing. An unmodified independent auditor's opinion means there are no stated exceptions to the auditor's general assertion that the district's financial statements present fairly the financial information contained according to generally accepted accounting principles.

**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.

### DISCLAIMER

**All of the information provided is believed to be accurate and reliable; however, TASBO and TSPRA assume no responsibility for any errors, appearing in this information or otherwise. Further, TASBO and TSPRA assume no responsibility for the use of the information provided.**