Annual Financial Management Report
2017 - 2018

Duncanville Independent School District
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<td>12</td>
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</table>
November 18, 2019

To The Citizens of Duncanville Independent School District:

In accordance with Texas Administrative Code Chapter 109, Subchapter AA 109.001, the 2017-2018 Annual Financial Management Report is being presented. During these challenging times, maintaining the financial health of the District and modeling accountability is imperative. One of the District's core beliefs is that high expectations lead to high levels of success. This belief applies to our students, staff and financial operations of the District. The Board of Trustees has set a goal that the District will demonstrate fiscal responsibility and communicate financial information to our stakeholders. This report is presented to fulfill these beliefs and goals.

We are pleased to report that Duncanville Independent School District received a "Superior" rating status from the Texas Education Agency, regarding financial operations. This is the highest rating that can be achieved.

This is the seventeenth year that Texas school districts are reporting the results of the state's financial accountability system, Financial Integrity Rating System of Texas (FIRST). In addition to the evaluation of 15 criteria and disclosures, the Financial Solvency Provisions of TEC §39.0822 now require additional data to assist in evaluating a school district's financial solvency. We are pleased with our rating and will strive to continue to improve the financial operations of the District.

Should you have any questions, please feel free to come by or call my office.

Sincerely,

Dr. Marc Smith
Superintendent of Schools
Background Information:
Senate Bill (SB) 875 of the 76th Legislature in 1999 required the development of a proposal for a school financial accountability rating system for school districts and implementation of a financial accountability rating system. The financial accountability rating system is officially referred to as “Schools FIRST” (Financial Integrity Rating System of Texas). The primary goal of Schools FIRST is to achieve quality, a goal made more significant due to the complexity of accounting associated with Texas’ school finance system. The Schools FIRST accountability rating ensures that Texas school districts are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently.

The primary objective of the rating system is to assess the quality of financial management in Texas public schools. A secondary objective is to measure and report the extent to which financial resources in Texas public schools assure the maximum allocation possible for direct instructional purposes. Other objectives reflect the implementation of a rating system that fairly and equitably evaluates the quality of financial management decisions. After full implementation of the rating system, the districts’ ratings will be openly reported to the general public and to other interested persons and entities.

District Ratings
The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, as follows: A” for Superior Achievement, “B” for Above Standard Achievement, “C” for Standard Achievement or “F” for Substandard Achievement. Districts that receive the “Substandard Achievement” rating under Schools FIRST must file a corrective action plan with the Texas Education Agency.

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 worksheet for rating year 2014-2015 contained only 7 indicators and the worksheets for rating years 2015-2016 through 2017-2018 contain 15 indicators.

For 2017-2018 the Duncanville Independent School District received a School FIRST rating of:

“A” Superior
Reporting, Notices and Public Meetings

The Board of Trustees will publish an annual report describing the financial management performance of the district. The report must include the information provided by the Texas Education Agency and any supplemental information as may be determined by the local board of trustees. A copy of the report is available, upon request, at the District’s administrative offices and on the district’s website.

As required by State law, the Board of Trustees shall hold a public meeting within two months of receiving the School FIRST ratings. Notice of the meeting to discuss the school financial accountability rating must be published twice in a local newspaper. The first notice must be no more than thirty days or less than fourteen days prior to the scheduled meeting date. The District has complied with the public hearing notifications in the local newspaper. The public meeting was held in conjunction with the regularly called Board of Trustees meeting on November 18, 2019.
Financial Integrity Rating System of Texas

2018-2019 RATINGS BASED ON SCHOOL YEAR 2017-2018 DATA - DISTRICT STATUS DETAIL

Name: DUNCANVILLE ISD (057907)  
Status: Passed  
Rating: A = Superior  
District Score: 92  
Passing Score: 60  

<table>
<thead>
<tr>
<th>#</th>
<th>Indicator Description</th>
<th>Updated</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>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?</td>
<td>8/5/2019 11:05:02 PM</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds &quot;No&quot; to indicator 2.A or to both indicators 2.A and 2.B.</td>
<td>8/5/2019 11:05:03 PM</td>
<td>Yes</td>
</tr>
<tr>
<td>2.A</td>
<td>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.)</td>
<td>8/5/2019 11:05:02 PM</td>
<td>Yes</td>
</tr>
<tr>
<td>2.B</td>
<td>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.)</td>
<td>8/5/2019 11:05:03 PM</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>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 (a person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</td>
<td>8/5/2019 11:05:03 PM</td>
<td>Yes</td>
</tr>
<tr>
<td>4</td>
<td>Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?</td>
<td>8/5/2019 11:05:03 PM</td>
<td>Yes</td>
</tr>
<tr>
<td>5</td>
<td>This indicator is not being scored.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Question</td>
<td>Date</td>
<td>Time</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------</td>
<td>--------</td>
</tr>
<tr>
<td>6</td>
<td>Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? (See ranges below.)</td>
<td>8/5/2019</td>
<td>11:05:03 PM</td>
</tr>
<tr>
<td>7</td>
<td>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</td>
<td>8/5/2019</td>
<td>11:05:04 PM</td>
</tr>
<tr>
<td>8</td>
<td>Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district’s change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.) (See ranges below.)</td>
<td>8/5/2019</td>
<td>11:05:04 PM</td>
</tr>
<tr>
<td>9</td>
<td>Did the school district’s general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district’s number of days of cash on hand greater than or equal to 60 days?</td>
<td>8/5/2019</td>
<td>11:05:05 PM</td>
</tr>
<tr>
<td>10</td>
<td>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</td>
<td>8/5/2019</td>
<td>11:05:06 PM</td>
</tr>
<tr>
<td>11</td>
<td>Was the school district’s administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</td>
<td>8/5/2019</td>
<td>11:05:06 PM</td>
</tr>
<tr>
<td>12</td>
<td>Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)</td>
<td>8/5/2019</td>
<td>11:05:07 PM</td>
</tr>
<tr>
<td>13</td>
<td>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?</td>
<td>8/5/2019</td>
<td>11:05:08 PM</td>
</tr>
<tr>
<td>14</td>
<td>Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)</td>
<td>8/5/2019</td>
<td>11:05:08 PM</td>
</tr>
<tr>
<td>15</td>
<td>Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?</td>
<td>8/5/2019</td>
<td>11:05:09 PM</td>
</tr>
</tbody>
</table>

**DETERMINATION OF RATING**

A. Did the district answer ‘No’ to Indicators 1, 3, 4, or 2.A? If so, the school district’s rating is **F for Substandard Achievement** regardless of points earned.

B. Determine the rating by the applicable number of points. (Indicators 6-15)

<table>
<thead>
<tr>
<th>Class</th>
<th>Score Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A = Superior</td>
<td>90-100</td>
</tr>
<tr>
<td>B = Above Standard</td>
<td>80-89</td>
</tr>
<tr>
<td>Grade</td>
<td>Description</td>
</tr>
<tr>
<td>-------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>C</td>
<td>Meets Standard</td>
</tr>
<tr>
<td>F</td>
<td>Substandard Achievement</td>
</tr>
</tbody>
</table>

No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.
How Ratings Are Assessed

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. Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds “No” to indicator 2.A or to both indicators 2.A and 2.B.

2.A 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.

2.B Did the external independent auditor report that the AFR was free of any instances(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The American Institute of Certified Public Accountants (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. 2.B is a simple “Yes” or “No” indicator (see instructions under “2” for evaluating performance under 2.A and 2.B to arrive at the score for “2.”)

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 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. Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?

This indicator seeks to make sure the district fulfilled its obligation to the TRS, TWC and IRS to transfer payroll withholdings and to fulfill any additional payroll-related obligations required to be paid by the district.

5. 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.

6. Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?

This indicator measures how long in days after the end of the fiscal year the school district could have disbursed funds for its operating expenditures without receiving any new revenues.

7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?

This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities.

8. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?  (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 question is like asking someone if their mortgage exceeds the market value of their home.

9. Did the school district’s general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)?  If not, was the school district’s number of days of cash on hand greater than or equal to 60 days?

This indicator simply asks, “Did you spend more than you earned?” (The school district
HOW RATINGS ARE ASSESSED

will automatically pass this indicator, if the school district had at least 60 days cash on hand.)

10. Was the debt service coverage ratio sufficient to meet the required debt service?

This indicator asks about the school district’s ability to make debt principal and interest payments that will become due during the year.

11. 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?

12. Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)

If the school district had a decline in students over 3 school years, this indicator asks if the school district decreased the number of the staff on the payroll in proportion to the decline in students. (The school district automatically passes this indicator if there was no decline in students.)

13. 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.

14. Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)

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.

15. Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds as a result of a financial hardship?

This indicator asks if the district had to ask for an easy payment plan to return monies to TEA after spending the overpayment from the Foundation School Program state aid.
DISCLOSURES

Per Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, the six (6) disclosures are presented as appendices in the Schools FIRST financial management report.

1. The Superintendent’s Employment Contract is posted on the district’s web site under the “Board of Trustees” page under “Disclosure” and is, therefore, not required to be included in the School FIRST financial management report.
2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2016.
3. Outside compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2016.
4. Gifts Received by the Executive Officer(s) and Board Member(s) in Fiscal Year 2016.
6. Any other information the Board of Trustees of the school district determines to be useful.
### 2017-2018 Superintendent and Board Member Disclosures

#### Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2018

For the twelve-month period ended June 30, 2018

<table>
<thead>
<tr>
<th>Description of Reimbursements</th>
<th>Superintendent</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals</td>
<td>$138.56</td>
<td>$126.55</td>
<td>$133.56</td>
<td>$13.29</td>
<td>$112.60</td>
<td>$126.58</td>
<td>$-</td>
<td>$12.25</td>
</tr>
<tr>
<td>Lodging</td>
<td>$3,092.08</td>
<td>$1,878.22</td>
<td>$863.47</td>
<td>$1,029.58</td>
<td>$1,844.96</td>
<td>$2,309.66</td>
<td>$-</td>
<td>$1,227.60</td>
</tr>
<tr>
<td>Transportation</td>
<td>$2,166.63</td>
<td>$798.97</td>
<td>$672.48</td>
<td>$294.30</td>
<td>$664.40</td>
<td>$637.06</td>
<td>$-</td>
<td>$186.42</td>
</tr>
<tr>
<td>Motor Fuel</td>
<td>$-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>$1,560.38</td>
<td>$1,004.34</td>
<td>$785.00</td>
<td>$817.22</td>
<td>$812.75</td>
<td>$1,735.00</td>
<td>$770.00</td>
<td>$819.80</td>
</tr>
<tr>
<td>Total</td>
<td>$6,957.65</td>
<td>$3,808.08</td>
<td>$2,454.51</td>
<td>$2,154.39</td>
<td>$3,434.71</td>
<td>$4,808.30</td>
<td>$956.42</td>
<td>$2,211.94</td>
</tr>
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</table>

#### Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2018

For the twelve-month period ended June 30, 2018

<table>
<thead>
<tr>
<th>Name(s) of Entity(ies)</th>
<th>Superintendent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Marc Smith</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>$-</td>
</tr>
<tr>
<td>Total</td>
<td>$-</td>
</tr>
</tbody>
</table>

#### Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2018

For the twelve-month period ended June 30, 2018

<table>
<thead>
<tr>
<th>Summary Amounts</th>
<th>Superintendent</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

#### Business Transactions Between School District and Board Members for Fiscal Year 2018

For the twelve-month period ended June 30, 2018

<table>
<thead>
<tr>
<th>Summary Amounts</th>
<th>Superintendent</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
<th>Board Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>
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 fiscal year. For most school districts this is equivalent to the fund balance at the end of the previous fiscal 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 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 property taxes. 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 fiscal year. For most school districts this will be equivalent to the fund balance at the beginning of the next fiscal 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 fulltime 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
- 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.

**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
- 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.

**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 that portion of fund balance that has externally enforceable constraints made by outside parties.

**Reserve Fund Balance:** This is that portion of fund equity which is not available for appropriation or has been legally separated for a specific purpose.

**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 the unit 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 cushion is six cents per $100 of property value, not 8 percent. School districts calculate the rollback rate necessary to generate the same amount of state and local funds per weighted average daily attendance (WADA) as was available to the districts in the preceding school year, using estimated WADA for the upcoming year, plus six cents, plus the current year’s debt rate. 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.

**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 Fund.

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