

Northwest Independent School District

Efficiency Audit

June 30, 2023

**NORTHWEST INDEPENDENT SCHOOL DISTRICT
EFFICIENCY AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

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**Report of Independent Auditors on an Efficiency Audit
Conducted in Accordance with *Government Auditing Standards***

To the Board of Trustees and Citizens of Northwest Independent School District

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC conducted an efficiency audit as prescribed by the State of Texas Legislative Budget Board for Northwest Independent School District (the "District"). The purpose of this report is to communicate the results of the efficiency audit.

The purpose of our efficiency audit was to assess the District's fiscal management, efficiency and utilization of resources, and whether the District has implemented best practices utilized by Texas school districts before an election to adopt a Maintenance and Operations (M&O) property tax rate.

Our efficiency audit was conducted in accordance with the standards applicable to performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the performance audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our performance audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our performance audit objectives.

The procedures performed did not constitute an audit, a review, or a compilation of the District's financial statements or any part thereof, nor an examination of management's assertions concerning the effectiveness of the District's internal-control systems or compliance with laws, regulations, or other matters. Accordingly, the performance of the procedures did not result in the expression of an opinion or any other form of assurance on the District's financial statements or any part thereof, nor an opinion or any other form of assurance on the District's internal-control systems or its compliance with laws, regulations, or other matters.

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC

Denton, Texas
September 6, 2024

SECTION 1 – EXECUTIVE SUMMARY

OVERVIEW OF PROCEDURES PERFORMED

In conducting the efficiency audit for the District, we gained an understanding of the District's fiscal management, efficiency and utilization of resources, and whether the District has implemented best practices utilized by Texas school districts. This was accomplished by analyzing data from the fiscal year ended June 30, 2023 and prior, maintained by the Texas Education Agency ("TEA") and the District. An overview of the objectives and approach performed during the efficiency audit are provided in Section III of this report. District data on accountability, students, staffing and finances, with peer districts and state comparisons are described in Section IV of this report.

SECTION II- KEY INFORMATION ABOUT THE DISTRICT

Northwest Independent School District (the “District”), is exploring holding an election to increase the District’s maintenance and operations property tax rate in tax year 2024 (fiscal year 2025). Maintenance and Operations (M&O) taxes are for the operation of public schools. The District had previously held a voter-approved tax ratification election (VATRE) in 2020.

The maximum compressed M&O tax rate for fiscal year 2024 without the tax rate election approval is \$0.6669 and the rate will be further compressed for fiscal year 2025. District administration is proposing a 2024 M&O rate of \$0.6969, which is 3 cents above the voter approval tax rate, which will trigger a voter approval tax rate election (“VATRE”). An efficiency audit, as required by law, is deemed necessary in order to provide full transparency to taxpayers. The District is projecting a budget shortfall of \$15.8 million for fiscal year 2025 and has implemented some cost efficiencies that have been factored into the fiscal year 2025 budget.

District administration is proposing a 2024 interest and sinking fund tax rate of \$0.4210, which is the same as the 2023 rate. The total 2024 tax rate is proposed to be \$1.1179 compared to the total 2023 tax rate of \$1.0902. The estimated general fund increase in revenue from the proposed increase in the M&O tax rate is \$16.0 million and represents about 4.7 percent of the total 2024-2025 adopted budget of \$336.9 million. The additional revenue would be used to protect class size ratios, prioritize retaining and adding student programs, and continue to provide teacher and staff raises.

The average home taxable value of a single-family residential property for tax year 2024 is \$527,881. The average tax bill as a result of the M&O and I&S rate change is \$4,783, or a \$118 increase compared to what the average resident would pay based on the 2023 tax rate and taxable value.

Even with the proposed M&O tax rate change the District administration will be proposing, the District will need to achieve further cost efficiencies and review program cost savings that would allow the District to adopt a balanced budget for fiscal year 2026

Based on the outcome of the efficiency audit, the District will first address any cost inefficiencies reflected in the efficiency audit. Secondly, the District will determine if any other funds are available to cover General Fund needs in fiscal year 2025.

The District can also determine if budget assumptions such as staffing ratios and other costs need adjusting in fiscal year 2026. If a VATRE is successful, the District intends to use the additional tax revenue to continue offering competitive teacher and staff salaries, continue offering quality student programs and activities, and assist in reducing future budget deficits. The District will continue to identify opportunities for operational efficiencies within the budget in order to create capacity to accommodate future student growth and needs.

If the VATRE were not to pass, the District would consider reducing expenditures where possible but would not be able to significantly reduce the fiscal year 2025 budget deficit.

The District engaged Hankins, Eastup, Deaton, Tonn Seay & Scarborough, LLC to conduct the efficiency audit. Efficiency audits focus on informing voter about the District's fiscal management, efficiency, utilization of resources, and whether the District has implemented best practices. The information includes data and tools that the State of Texas currently utilizes to measure school district efficiency.

Some key information about the District:

- The District's total operating revenue for all funds, for fiscal year 2023 totaled \$10,507 per student, while its peer districts average and State average totaled \$10,946 per student and \$12,822 per student, respectively.
- The District's total operating expenditures for all funds for fiscal year 2023 totaled \$10,271 per student, while its peer districts average and State average were \$10,955 per student and \$12,385 per student, respectively.
- The District earned a Superior Rating for the School Financial Integrity Rating System of Texas (FIRST) for the last five years.
- The Texas Education Agency reviews and tracks the performance of both school districts and individual schools with the Texas A-F Accountability System. The results are posted year-to-year. The District, as a whole, earned a "B" (89 out of 100 points) in 2021-2022, the last year accountability ratings were issued. The detail by campus for the 2021-2022 accountability rating is shown below:

Rating	# of Campuses
A	9
B	14
C	6
Not Rated	1

Additional details and audit results are included in Section IV.

SECTION III - OBJECTIVES AND APPROACH

Objectives

The objective of our efficiency audit was to assess the District's fiscal management, efficiency and utilization of resources, and whether the District has implemented best practices utilized by Texas school districts.

Approach

In order to achieve the objectives set forth above, Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC performed the following procedures:

1. Obtained the peer districts selected by the District, developed a simple average and used that same comparison group throughout the audit.
2. Reported on the overall accountability rating (A-to-F) and a corresponding scale score of 1 to 100.
3. Compared the District's peer districts' average score and listed the following District's campus information:
 - Accountability rating count for each campus level within the District.
 - Names of the campuses that received an F accountability rating
 - Campuses that are required to implement a campus turnaround plan
4. Reported on the District's School FIRST rating. For a rating of less than A, listed the indicators not met.
5. Reported on student characteristics for the District, its peer districts and the State average including:
 - Total Students
 - Economically Disadvantaged
 - English Learners
 - Special Education
 - Bilingual/ESL Education
 - Career and Technical Education
6. Reported on the attendance rate for the District, its peer districts and the State.
7. Reported on the five-year enrollment for the District for the most recent school year and four (4) years prior, the average annual percentage change based on the previous five years and the projected next school year enrollment.
8. Reported on the following indicators related to the District's revenue, its peer districts' average and the State average and explained any significant variances.
 - Local M&O Tax (Retained) (without debt service and recapture)
 - State
 - Federal
 - Other local and intermediate
 - Total revenue
9. Reported on the following indicators related to the District's expenditures, its peer districts' average, and the State average and explained significant variances from the peer districts' average, if any. In addition, explained the reasons for the District's expenditures exceeding revenue, if applicable.

- Instruction
- Instructional resources and media
- Curriculum and staff development
- Instructional leadership
- School leadership
- Guidance and counseling services
- Social work services
- Health services
- Transportation
- Food service operations
- Extracurricular
- General administration
- Plant maintenance and operations
- Security and monitoring services
- Data processing services
- Community services
- Total operating expenditures

10. Reported on the following indicators for payroll and select District salary expenditures compared to its peer districts' average and the State average and explained any significant variances from the peer districts' average in any category.

- Payroll as a percentage of all funds
- Average teacher salary
- Average administrative salary
- Superintendent salary

11. Reported on the General Fund operating fund balance, excluding debt service and capital outlay, for the past five years and per student for the District and its peer districts. Analyzed unassigned fund balance per student and as a percentage of three-month operating expenditures and explained any significant variances.

12. Reported the District's allocation of staff, and student-to-teacher and student-to-total staff ratios for the District, its peer districts and the State average. The following staff categories were used:

- Teaching
- Support
- Administrative
- Paraprofessional
- Auxiliary
- Students per total staff
- Students per teaching staff

13. Reported on the District's teacher turnover rate as well as its peer districts and the State's average. Reported on the following programs offered by the District, including the number of students served, percentage of enrolled students served, program budget, program budget as a percentage of the District's budget, total staff for the program, and student-to-staff ratio for the program.

- Special Education
- Bilingual Education
- Migrant Programs

- Gifted and Talented Programs
- Career and Technical Education
- Athletics and Extracurricular Activities
- Alternative Education Program/Disciplinary Alternative Education Program
- Juvenile Justice Alternative Education Program

14. Described how the District maximizes available resources from state source and regional education service centers to develop or implement programs or deliver services.

15. Reported on the District's annual external audit report's independent auditor's opinion as required by Government Auditing Standards.

16. Explained the basis of the TEA assigning the District a financial-related monitoring/oversight role during the past three years, if applicable.

17. In regard to the District's budget process, provided a response to each of the following questions:

- Does the District's budget planning process include projections for enrollment and staff?
- Does the District's budget process include monthly and quarterly reviews to determine the status of annual spending?
- Does the District use cost allocation procedures to determine campus budgets and cost centers?
- Does the District analyze educational costs and student needs to determine campus budgets?

18. Provided a description of the District's self-funded program, if any, and analyzed whether program revenues are sufficient to cover program costs.

19. Reported whether the District administrators are evaluated annually and, if so, explained how the results inform District operations.

20. In regard to the District's compensation system, provided a response to the following questions:

- Does the District use salary bonuses or merit pay systems? If yes, explained the performance-based systems and the factors used.
- Do the District's salary ranges include minimum, midpoint, and maximum increments to promote compensation equity based on the employee's education, experience, and other relevant factors?
- Does the District periodically adjust its compensation structure using verifiable salary survey information, benchmarking, and comparable salary data?
- Has the District made any internal equity and/or market adjustments to salaries within the past two years?

21. In regards to planning, provided a response for each of the following questions:

- Does the District develop a District Improvement Plan (DIP) annually?
- Do all campuses in the District develop a Campus Improvement Plan (CIP) annually?
- Does the District have an active and current facilities master plan? If yes, does the District consider these factors to inform the plan:
 - a. Does the District use enrollment projections?
 - b. Does the District analyze facility capacity?
 - c. Does the District evaluate facility condition?
 - d. Does the District have an active and current energy management plan?
 - e. Does the District maintain a clearly defined staffing formula for staff in maintenance, custodial, food service, and transportation?

22. In regards to District academic information, provided a response for each of the following questions:

- Does the District have a teacher mentoring program?
- Are decisions to adopt new programs or discontinue existing programs made based on quantifiable data and research?
- When adopting new programs, does the District define expected results?
- Does the District analyze student test results at the District and/or campus level to design, implement and/or monitor the use of curriculum and instructional programs?

23. Provided a response to the question of whether the District modifies programs, plans staff development opportunities, or evaluates staff based on analyses of student test results.

SECTION IV - DISTRICT DATA ON ACCOUNTABILITY, STUDENTS, STAFFING AND FINANCES, WITH PEER DISTRICTS AND STATE COMPARISONS

1. Peer Districts

The District used Texas Education Agency's (TEA) Snapshot Peer Search and identified a total of 12 peer districts based on factors such as district size, property wealth, tax rate and community type. The District selected 10 out of the 12 peer districts identified for this audit, which are shown below.

Figure 1
Peer Districts

District Name	District #	County
Carroll ISD	220919	Tarrant
Keller ISD	220907	Tarrant
Eagle Mountain-Saginaw ISD	220918	Tarrant
Lewisville ISD	061902	Denton
Hurst-Euless-Bedford ISD	220916	Tarrant
Dripping Springs ISD	105904	Hays
Lamar CISD	079901	Fort Bend
Prosper ISD	043912	Collin
Mansfield ISD	220908	Tarrant
Denton ISD	061901	Denton

2. Accountability Rating

The Texas Education Agency (TEA) annually assigns an A-to-F rating and a corresponding scaled score (1 to 100) to each district and campus based on student assessment results and other accountability measures. To align with Senate Bill 1365, school districts and campuses received an A, B or C rating or were assigned a label of Not Rated: Senate Bill 1365. This Not Rated: Senate Bill 1365 label was applied when the domain or overall scaled score for a district or campus was less than 70.

Figure 2
Accountability Rating Comparison
2021-2022

	District Rating (A-F)	District Rating (1-100)	Peer District Average Score (1-100)
Rating/Score	B	89	90.6

The "F" accountability rating was not applicable for 2021 – 2022. The results for the District's 29 campuses that were assigned a rating are shown below.

Figure 3
Accountability Rating by Campus Level
2021-2022

	Elementary Schools	Middle Schools	High Schools
A	6	1	2
B	9	3	2
C	4	2	-
D	-	-	-
F	-	-	-
Not Rated	1	-	-

Campuses with an "F" Accountability Rating - N/A due to Senate Bill 1365.

Campuses with Required to Implement a Campus Turnaround Plan - None Noted.

The Campus assigned a label of Not Rated: Senate Bill 1365 was JC Thompson Elementary.

3. Financial Rating

The State of Texas' school financial accountability rating system, known as the School Financial Integrity Rating System of Texas (FIRST), ensures that Texas public schools are held accountable for the quality of their financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resource to provide the maximum allocation possible for direct instructional purposes.

The School Financial Integrity Rating System of Texas (FIRST) holds school districts accountable for the quality of their financial management practices. The rating is based on five (5) critical indicators as well as minimum number of points for an additional fifteen (15) indicators. Beginning with 2015-2016 Rating (based on the 2014-2015 financial data), the Texas Education Agency moved from “Pass/Fail” system and began assigning a letter rating. The ratings and corresponding points are shown below:

Rating	Points
A = Superior	90-100
B = Above Standard	80-89
C = Meets Standards	60-79
F = Substandard Achievement	Less than 60

The District’s 2022 - 2023 rating based on school year 2021 - 2022 data was an “A” (Superior). The District also earned a Superior Rating in 2020, 2021, 2022 and 2023.

Figure 4
School FIRST Rating

	District Rating (A-F)	
Northwest ISD	A	96
Carroll ISD	A	96
Keller ISD	C	70
Eagle Mountain-Saginaw ISD	A	96
Lewisville ISD	A	96
Hurst-Euless-Bedford ISD	A	100
Dripping Springs ISD	A	98
Lamar CISD	B	89
Prosper ISD	A	94
Mansfield ISD	A	92
Denton ISD	A	94

4. Student Characteristics, Attendance, and 5-Year Enrollment

Student Characteristics

Every student is served differently in public schools based on their unique characteristics. Such data is captured by the Texas Education Agency on an annual basis. Figure 5 provides student counts for five (5) select student characteristics, which are described below:

Economically Disadvantaged- This term has an identical meaning to educationally disadvantaged, which is defined by the Texas Education Code (TEC) §5.001(4) as a student who is “eligible to participate in the national free or reduced-price lunch program”.

English Learners – The TEA defines an English learner as a student who is in the process of acquiring English and has another language as the primary language; it is synonymous with English Language Learner (ELL) and Limited English Proficient (LEP).

Special Education- These are students with a disability as defined by Federal regulations (34 CFR §§ 300.304 through 300.311), State of Texas Laws (Texas Education Code §29.003 or the Commissioner’s/State Board of Education Rules (§89.1040).

Bilingual/ESL Education - TEC §29.055 describes students enrolled in a bilingual education program as those students in a full-time program of dual-language instruction that provides for learning basic skills in the primary language of the students and for carefully structured and sequence mastery of the English language skills. Students enrolled in an English as a Second Language (ESL) program receive intensive instruction in English from teachers trained in recognizing and dealing with language differences.

Career and Technical Education - Students enrolled in State approved Career and Technology Education programs.

Figure 5
Selected Student Characteristics
2022-2023

	Total Student Population	% of Student Population	Peer District Average %	State Average %
	Count			
Total Students	29,248			N/A
Economically Disadvantaged	7,833	26.8%	39.4%	62.0%
English Learners	2,769	9.5%	16.0%	23.0%
Special Education	4,134	14.1%	13.8%	12.7%
Bilingual/ESL Education	2,650	9.1%	16.0%	23.2%
Career & Technical Education	9,979	34.1%	25.9%	26.5%

Source: Texas Education Agency, Texas Academic Performance Reports (TAPR).

There are 5.5 million students served by public schools in the State of Texas. Of those students, 3.4 million or 62.0 percent are economically disadvantaged. The percentage of economically disadvantaged students served by the District compared to its total student population totaled 26.8 percent, which is 12.7 percent and 35.2 percent less than the peer districts and State average, respectively. Among the peer districts, Hurst-Euless-Bedford Independent School District had the highest economically disadvantaged student percentage of 60.8 percent, while Carroll Independent School District had the lowest percentage of 1.3 percent.

The peer districts' average total student count was 28,186. Of the peer districts evaluated, Lewisville Independent School District had the highest total student count of 49,060 while Dripping Springs Independent School District had the lowest student count of 8,375.

Attendance

Figure 6
Attendance Rate
2021-2022

	District Average	Peer Districts Average	State Average
Attendance Rate	94.1%	93.7%	92.2%

Source: Texas Education Agency, 2022-2023 Texas Academic Performance Report (TAPR). The attendance rates cited are for 2021-2022.

A school district's State Funding is a complex calculation with many inputs. One of the primary drivers used in the calculation is student attendance. The District's attendance rate is 0.4 percent greater than its peer districts average and 1.9 percent greater than the State average. It should be noted that the District's 2021 – 2022 attendance rate has decreased from the prior two years. The 2020 - 2021 attendance rate was 96.4 percent and 2019 - 2020 attendance rate was 99.1 percent. The 2020 – 2021 and 2019 – 2020 attendance rates reflect rates that are based on the State's hold harmless provisions of the state funding formula for those years.

Five-Year Enrollment

The attendance rate should be evaluated in conjunction with the number of students enrolled. As shown in Figure 7, the District has experienced an average annual increase over the last five years of 4.80 percent. When the current enrollment data for 2024 is incorporated, the average increase in enrollment is 6.01 percent.

Figure 7
5-Year Enrollment
2019-2023

	Enrollment	% Change
2023	29,248	6.04%
2022	27,583	8.67%
2021	25,383	1.37%
2020	25,040	3.72%
2019	24,141	4.22%
Average annual percentage change based on the previous five years		4.80%
2024 (1)	32,773	
Average annual percentage changed based on the previous five years and the 2024 fiscal year		6.01%

Note: (1) - Based on fiscal year 2024 PEIMS data from the District

5. District Revenue

Figure 8
District Tax Revenue
2022-2023

	District		Peer Districts Average		State Average	
	Revenue	% of	Revenue	% of	Revenue	% of
	Per Student	Total	Per Student	Total	Per Student	Total
Local M&O tax (retained)(1)	8,074	76.85%	6,625	60.52%	5,214	40.66%
State (2)	750	7.14%	2,254	20.59%	4,310	33.61%
Federal	887	8.44%	1,128	10.31%	2,568	20.03%
Other Local & Intermediate	796	7.57%	939	8.58%	730	5.70%
Total Revenue	10,507	100.00%	10,946	100.00%	12,822	100.00%

Note (1): Excludes Recapture
(2): Excludes TRS on-behalf

Source: Texas Education Agency, Public Education Information Management System District Actual Financial Data Reports

The financial data above includes all funds, except for the District's capital projects fund and debt service fund. Approximately \$10.3 million of the Teacher Retirement System (TRS) contributions made by the State of Texas on behalf of the District were also excluded from the State revenues. In accordance with Governmental Accounting Standards Board, on-behalf contributions must also be recorded as expenditures. However, the source reports used for the analyses did not exclude these on-behalf expenditures. The on-behalf contributions of \$10.3 million equates to \$354 per student.

The District's receives less revenue per student compared to its peer districts average and the State average.

6. District Expenditures

Figure 9
District Actual Operating Expenditures
2022-2023

	District		Peer Districts Average		State Average	
	Expenditures	% of	Expenditures	% of	Expenditures	% of
	Per Student	Total	Per Student	Total	Per Student	Total
Instruction	5,766	56.15%	6,329	57.77%	6,849	55.29%
Instructional Resources & Media	101	0.98%	122	1.11%	121	0.98%
Curriculum & Staff Development	247	2.40%	215	1.96%	308	2.49%
Instructional Leadership	98	0.95%	147	1.34%	223	1.80%
School Leadership	575	5.60%	580	5.29%	710	5.73%
Guidance & Counseling Services	434	4.23%	464	4.24%	497	4.02%
Social Work Services	15	0.15%	18	0.16%	46	0.37%
Health Services	91	0.89%	120	1.10%	133	1.07%
Transportation	429	4.18%	349	3.19%	374	3.02%
Food Service Operation	446	4.34%	497	4.54%	631	5.10%
Extracurricular	428	4.17%	378	3.45%	384	3.10%
General Administration	312	3.04%	317	2.89%	411	3.32%
Facilities Maintenance & Operations	1,036	10.08%	1,048	9.57%	1,227	9.90%
Security & Monitoring Services	92	0.89%	114	1.04%	165	1.33%
Data Processing Services	186	1.81%	212	1.94%	239	1.93%
Community Services	15	0.14%	45	0.41%	64	0.52%
 Total Expenditures	 10,271	 100.00%	 10,955	 100.00%	 12,385	 100.00%

Source: Texas Education Agency, Public Education Information Management System District Actual Financial Data Reports

Capital outlay, debt service payments and other intergovernmental expenditures are not considered operating expenditures.

Overall, the District spends less per student than the peer district average and the State average. The expenditures per student spent in Instruction is 8.9 percent less than the peer district average and 15.8 percent less than the State average. The District's expenditures per student spent in the remaining areas combined is 2.6 percent less than the peer districts.

The District's expenditures per student spent in Food Service is 10.3 percent less than the peer district average and 29.3 percent less than the State average. The District's expenditures per student spent in General Administration is 1.6 percent less than the peer district average and 24.1 percent less than the State average.

7. District Payroll Expenditures Summary

Figure 10
Payroll Expenditure Summary
2022-2023

	District	Peer Districts Average	State Average
Payroll as a Percentage of All Funds	76.75%	80.55%	77.83%
Average Teacher Salary	62,568	63,759	60,717
Average Administrative Salary	97,006	100,017	92,684
Superintendent Salary	372,659	322,796	161,416

Source: Texas Education Agency, Texas Academic Performance Reports (TAPR) and Superintendent Salary Reports.

The District spends a smaller percentage of its expenditures on payroll costs than its peer districts average and the State average. Also, the District, on average, spends less per teacher than its peer districts, but more than the State average.

The average administrative salary is lower than its peer districts average, but higher than the State average. The Superintendent's salary is higher than the peer district average and the State average. It is important to note that the data for the State average for the Superintendent is comprised of school districts across the State with enrollments ranging from 6 to 189,000 students.

8. Fund Balance

Figure 11
General Fund Balance
2019-2023

District			
	General Fund Unassigned Fund Balance Per Student	General Fund Unassigned Fund Balance as a Percentage of Operating Expenditures	General Fund Unassigned Fund Balance as a Percentage of 3-Month Operating Expenditures
2023	3,647	36.21%	144.83%
2022	3,569	40.80%	163.19%
2021	3,172	32.04%	128.14%
2020	2,546	27.52%	110.09%
2019	3,178	35.02%	140.09%

Peer Districts Average			
	General Fund Unassigned Fund Balance Per Student	General Fund Unassigned Fund Balance as a Percentage of Operating Expenditures	General Fund Unassigned Fund Balance as a Percentage of 3-Month Operating Expenditures
2023	2,859	25.89%	103.56%
2022	2,638	25.99%	103.96%
2021	2,737	27.22%	108.88%
2020	2,488	26.00%	104.00%
2019	2,312	24.43%	97.72%

Source: Texas Education Agency, Public Education Information Management System District Actual Financial Data Reports, and peer district Annual Financial Reports.

The General Fund is the operating fund in a governmental entity. Fund balance represents the current resources/assets available to the government less any current obligations/liabilities. Within fund balance there are five (5) categories: non-spendable, restricted, committed, assigned and unassigned. The categories are described below.

- Non-spendable fund balance cannot be spent because it is either (a) not in a spendable form, such as inventory or (b) legally or contractually required to be maintained intact.
- Restricted fund balance is net resources that are restricted as to use by an external party, such as a federal grantor.
- Committed fund balance is set aside for a specific purpose as resolved by the Board of Trustees.
- Assigned fund balance is fund balance that has been set aside by management for a specific purpose.
- Unassigned fund balance is the remaining amount that is not restricted, committed, or assigned for a specific purpose.

The Texas Education Agency evaluates unassigned fund balance by comparing it to three months (25 percent) of annual operating expenditures. If the District does not meet the goal of three months, the percentage is shown as less than 100 percent. Amounts that exceed three (3) months are reflected as a percentage greater than 100 percent. The District met the three-month average goal. The table below shows the amount by which the District exceeded the three-month goal in fiscal years 2019-2023.

	General Fund Unassigned Fund Balance (Actual)	General Fund Unassigned Fund Balance 3-Month Goal	Difference Between Actual Unassigned Fund Balance and 3-Month Goal in \$	Difference Between Actual Unassigned Fund Balance and 3-Month Goal in %
2023	106,678,265	73,655,162	33,023,103	44.83%
2022	98,435,947	60,320,081	38,115,866	63.19%
2021	80,518,294	62,834,075	17,684,219	28.14%
2020	63,740,807	57,898,782	5,842,025	10.09%
2019	76,728,152	54,772,159	21,955,993	40.09%

The District's unassigned fund balance as of June 30, 2023 totaled \$106.7 and General Fund operating expenditures for the year ended June 30, 2023 totaled \$294.6 million. Three months average operating expenditures would equate to \$73.7 million, which is \$33.0 million (or 31.0 percent) less than the District's actual unassigned fund balance. In addition, the District has an assigned fund balance of \$3.0 million as of June 30, 2023 set aside for a projected fiscal year 2024 budget deficit. The figures below reflect the assigned fund balance for the last five years.

	Assigned Fund Balance
2023	2,988,875
2022	0
2021	2,015,402
2020	25,166,846
2019	21,109,247

In reviewing the District's 2023 annual comprehensive financial report, the General Fund reflected a total of \$3.0 million in assigned fund balance. As defined by the Fiscal Management Goals and Objectives Policy, fund balance can be assigned by the District's Board, the Superintendent, or the Chief Financial Officer. It should also be noted that unassigned fund balance can and should be used for one-time expenditures or for emergencies related to an unforeseen event. However, fund balance should not be relied upon for on-going operational expenditures.

9. District Staffing Levels

Figure 12
Staff Ratio Comparison
2022-2023

	District	Peer Districts Average	State Average
Teaching Staff (Percentage of Total Staff)	59.60%	54.88%	48.70%
Support Staff (Percentage of Total Staff)	11.40%	11.22%	10.90%
Administrative Staff (Percentage of Total Staff)	4.50%	4.05%	4.50%
Paraprofessional Staff (Percentage of Total Staff)	9.00%	9.45%	11.30%
Auxiliary Staff (Percentage of Total Staff)	15.50%	20.39%	24.60%
Students Per Total Staff	9.34	8.29	7.23
Students Per Teaching Staff	15.67	15.04	14.85

Source: Texas Education Agency, Texas Academic Performance Reports (TAPR).

The District's total staff for the year ended June 30, 2023 was 3,132 compared to that of its peer districts average of 3,433. The District has 1.05 more students per total staff than its peer districts average and 2.11 more students per total staff than the State average. The District's students per teaching staff ratio is also greater than its peer districts average and the State average by 0.63 students and 0.82 students, respectively. The District is maximizing efficient use of staffing resources to serve students while achieving high accountability ratings comparable to its peer districts.

10. Teacher Turnover Rates

Figure 13
Teacher Turnover Rates
2022-2023

	District Turnover Rate	Peer Districts Turnover Rate	Average State Turnover Rate
Teachers	19.80%	19.22%	21.40%

Source: Texas Education Agency, Texas Academic Performance Reports (TAPR).

While the District's turnover rate is 3.0 percent higher than the average peer districts turnover rate, it is 7.5 percent less than the State average. The highest turnover rate within the peer districts was 23.0 percent while the lowest turnover rate was 17.1 percent.

11. Special Programs

Figure 14
Special Programs Characteristics
2022-2023

	Number of Students Served	Percentage of Enrolled Students Served	Program			
			Program Budget Per Students Served	Budget as a % of District Budget	Total Staff For Program	Students Per Total Staff For Program
Total Students	29,248	100.00%	N/A	N/A	N/A	N/A
Economically Disadvantaged	7,833	26.78%	735.69	1.86%	115.8	67.6
English Learners	2,769	9.47%	355.84	0.32%	784.0	3.5
Special Education	4,134	14.13%	6,863.15	9.15%	194.0	21.3
Bilingual/ESL Education	2,650	9.06%	371.82	0.32%	30.8	86.0
Athletics & Extracurricular Activities	13,573	46.41%	564.14	2.47%	321.0	42.3
Alternative Education Programs/ Disciplinary Alternative Educ Program	493	1.69%	1,646.77	0.15%	11.0	44.8
Juvenile Justice Alternative Education Program	9	0.03%	2,233.00	0.01%	N/A	N/A
Career and Technical Education	9,979	34.12%	1,274.74	4.10%	110.0	90.7

Source: Information provided by the District

SECTION V- ADDITIONAL FINANCIAL, OPERATIONAL, AND ACADEMIC INFORMATION

1. State and Regional Resources

The District uses the state's Available School Fund allotment to fund state mandated programs. Additionally, the District takes advantage of the Regional Educational Service Centers expertise when needed. The District continuously explores all options for funding, including state and federal sources and local grant sources. All funding, state, local or federal, is tied directly to the District Strategic Plan and student performance.

2. Reporting

For the year ended June 30, 2023, Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC issued an unmodified opinion on the financial statements. There are three possible opinions: unmodified, modified (e.g. scope limitation or departure from generally accepted accounting principles), or a disclaimer of an opinion. An unmodified opinion is considered a clean opinion.

3. Oversight

Not Applicable

4. Budget Process

Figure 15 **Budget Process**

<u>Question</u>	<u>Yes/No</u>	<u>N/A</u>
Does the District's budget planning process include projections for enrollment and staff?	Yes	
Does the District's budget process include monthly and quarterly reviews to determine the status of annual spending?	Yes	
Does the District use cost allocation procedures to determine campus budgets and cost centers?	Yes	
Does the District analyze educational costs and student needs to determine campus budgets?	Yes	

5. Self-funded Programs

The District's self-funded unemployment and workers' compensation programs are accounted for and reported in the District's internal service funds. At June 30, 2023, the unemployment and workers' compensation funds reported net position of \$13 thousand and \$221 thousand, respectively. This was a decrease in net position from the prior fiscal year of \$16 thousand in the unemployment fund and an increase of \$121 thousand in the workers' compensation fund. The net position of both funds at June 30, 2023 represents about six months of fiscal year 2023 spending that occurred in each fund.

6. Staffing

All District administrators are evaluated annually by the end of the District's fiscal year end, June 30th. Evaluations help to ensure that highly qualified and effective administrators lead campuses and departments and focus on student achievement.

7. Compensation System

Figure 16

Compensation System

Question	Yes/No	N/A
Does the District use salary bonuses or merit pay systems?	No	
Does the District's salary ranges include minimum, midpoint and maximum increments to promote compensation equity based on the employee's education, experience and other relevant factors?	Yes	
Does the District periodically adjust its compensation structure using verifiable salary survey information, benchmarking and comparable salary data?	Yes	
Has the District made any internal equity and/or market adjustments to salaries within the past two years?	Yes	

8. Planning

Figure 17
Operational Information

Question	Yes/No	N/A
Does the District develop a District Improvement Plan (DIP) annually?	Yes	
Do all campuses in the District develop a Campus Improvement Plan (CIP) annually?	Yes	
Does the District have an active and current facilities master plan? If yes, does the District consider these factors to inform the plan:	Yes	
Does the District use enrollment projections?		
Does the District analyze facility capacity?		
Does the District evaluate facility conditions?		
Does the District have an active and current energy management plan?	Yes	
Does the District maintain a clearly defined staffing formula for staff in maintenance, custodial, food service and transportation?	Yes	

9. Programs

Figure 18
Academic Information

Question	Yes/No	N/A
Does the District have a teacher mentoring program?	Yes	
Are decisions to adopt new programs or discontinue existing programs made based on quantifiable data and research?	Yes	
When adopting new programs, does the District define expected results?	Yes	
Does the District analyze student test results at the District and/or campus level to design, implement and/or monitor the use of curriculum and instructional programs?	Yes	
Does the District modify programs, plan staff development opportunities, or evaluate staff based on analyses of student test results?	Yes	