

**MAGNOLIA INDEPENDENT SCHOOL DISTRICT  
MAGNOLIA, TEXAS**

**PERFORMANCE AUDIT REPORT ON EFFICIENCY**

**THE FISCAL YEAR ENDED AUGUST 31, 2023**



**MAGNOLIA INDEPENDENT SCHOOL DISTRICT**  
**PERFORMANCE AUDIT REPORT ON EFFICIENCY**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Performance Auditor's Report Using Efficiency Audit Standards Prescribed by the State of Texas Legislative Budget Board Conducted in Accordance with Government Auditing Standards .....	1
Section I – Executive Summary .....	2
Section II – Summary of Audit Results .....	3
Section III – Objectives and Approach.....	4
Section IV – District Data on Accountability, Students, Staffing and Finances, With Peer Districts and State Comparisons.....	9
Section V – Additional Financial, Operational, and Academic Information.....	18

**THIS PAGE LEFT BLANK INTENTIONALLY**

INDEPENDENT PERFORMANCE AUDITOR'S REPORT USING EFFICIENCY AUDIT STANDARDS  
PRESCRIBED BY THE STATE OF TEXAS LEGISLATIVE BUDGET BOARD CONDUCTED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Magnolia Independent School District  
Magnolia, Texas

We have conducted a performance audit on efficiency ("efficiency audit") as prescribed by the State of Texas Legislative Budget Board for the Magnolia Independent School District (the "District") for the year ended August 31, 2023. The purpose of this report is to communicate the results of the efficiency audit.

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

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 audit was limited to the objectives and purposes outlined in the State of Texas Legislative Budget Board efficiency audit guidelines, under the requirements of Texas Education Code, Section 11.184.

A summary of audit results of our efficiency audit are presented in section II of this report.

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.

**Crowe LLP**

Crowe LLP

Houston, Texas  
August 28, 2024

**THIS PAGE LEFT BLANK INTENTIONALLY**

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

## **SECTION I - EXECUTIVE SUMMARY**

### **Overview of Procedures Performed**

In conducting the efficiency audit for Magnolia Independent School District (the “District”), we gained an understanding of the District’s fiscal management, efficiency and utilization of resources, and determined whether the District has implemented best practices utilized by Texas school districts by analyzing information from fiscal year ended August 31, 2023 and prior, maintained by the Texas Education Agency 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.

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

## **SECTION II – SUMMARY OF AUDIT RESULTS**

The Magnolia Independent School District (the "District") will conduct an election on November 5, 2024, to seek voter approval to raise the property tax rate for Maintenance and Operations (M&O). M&O taxes fund the running of public schools. The District previously held a tax ratification election in 2018 to move ten cents from its interest and sinking rate to its M&O rate, leading to no overall change in the tax rate. The voters did not approve this measure.

The District plans to raise the M&O tax rate from \$0.9595 to \$0.9895. This adjustment would mean an average homeowner pays an additional \$8.21 per month in taxes. The projected incremental tax revenue for the first school year is \$3.7 million, which represents around 2.5% of the District's currently adopted operating budget. This proposed rate of \$0.9895 is separate from the tax rates set by city, county, and special taxing districts.

If voters approve the tax rate on November 5, it will generate \$3.7 million annually in local funding, matched by an additional \$3.7 million from the state, totaling nearly \$7.4 million each year. These funds will be allocated to cover salary increases for staff and constables, finance a District Loyalty Pay program based on years of service, and support additional pay for county constables to enhance school safety. Conversely, if the tax rate is rejected, the district will lose access to both the \$3.7 million in local funding and the corresponding \$3.7 million from the state annually. This would result in continued efforts to balance the local budget but with insufficient funding for the Loyalty Pay program.

In May 2024, the District hired Crowe LLP to perform an efficiency audit to assess the District's fiscal management, efficiency and utilization of resources, and determine 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. This efficiency audit helps inform voters about these matters. The report includes data and tools used by the State of Texas to assess school district efficiency.

We identified the two significant variances below in the context of the efficiency audit objectives:

- The District's turnover rate for teachers was higher than both the peer group and the state average by 1.4 percent and 1.7 percent respectively. The two competitive neighboring districts Conroe ISD and Tomball ISD experienced turnover rates of 19.6 percent and 16.2 percent respectively, primarily related to a pay scale that begins four to five thousand dollars more than Magnolia ISD. This variance is further described in section IV of this report.
- The District's total operating revenue, for the most recent year totaled \$10,615 per student, while its peer districts average and State average were \$11,537 per student and \$12,823 per student, respectively. This variance is further described in section IV of this report.

Additional key information required to be presented about the District are as follows:

- Over the last five years, the District's total average operating revenues for all funds totaled \$10,234 per student, while its peer districts average and State average were \$10,674 per student and \$11,622 per student, respectively.
- Over the last five years, the District's average General Fund operating revenue per student totaled \$8,657, while its peer districts average totaled \$8,953 per student.
- The District's total operating expenditures for the most recent year totaled \$11,130, while its peer districts average was \$11,379 per student. The State's total average operating expenditures totaled \$12,382 per student.
- Over the last five years, the District's average total operating expenditures totaled \$10,322 per student compared to its peer districts average of \$10,426 per student and the State average of \$11,151 per student.

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

- Over the last five years, the District's average General Fund operating expenditures per student was \$8,863 per student, while its peer districts average was \$8,837 per student.
- The District has 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 results for the 2023 school year for the District are as follows:

Overall District Grade: A

4 Campuses received an A Grade

10 Campuses received a B Grade

1 Campuses received a C Grade

0 Campuses received a D Grade

0 Campuses received an F Grade

2 Campus received no Grade

The label of Not Rated: SB 1365 was applied when the domain, or overall scaled score for a district or campus was less than 70. The two campuses with no grade were considered Not Rated.

Additional details and audit results are included in Section IV.

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

### **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 determined whether the District has implemented best practices utilized by Texas school districts.

#### **Approach**

In order to achieve the objectives set forth above, and comply with additional reporting requirements, Crowe LLP performed the following procedures as set forth in the Texas Legislative Budget Board efficiency audit guidelines, published in 2019.:

1. Selected eight (8) peer districts (identified in Section IV), developed a simple average and used the 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 and analyzed the District's peer districts' average score and listed the following District's campus information:
  - a. Accountability rating count for each campus level within the district.
  - b. Names of the campuses that received an F accountability rating
  - c. 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 and comparatively analyzed student characteristics for the District, its peer districts and the State average including:
  - a. Total Students
  - b. Economically Disadvantaged
  - c. English Learners
  - d. Special Education
  - e. Bilingual/ESL Education
  - f. Career and Technical Education
6. Reported on and comparatively analyzed 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.
8. Reported on and comparatively analyzed the following indicators related to the District's revenue, its peer districts' average and the State average and explained any significant variances.
  - a. Local M&O Tax (Retained) (without debt service and recapture)
  - b. State
  - c. Federal
  - d. Other local and intermediate
  - e. Total revenue

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

9. Reported on and comparatively analyzed 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 in any. In addition, explained the reasons for the District's expenditures exceeding revenue if applicable.
  - a. Instruction
  - b. Instructional resources and media
  - c. Curriculum and staff development
  - d. Instructional leadership
  - e. School leadership
  - f. Guidance counseling services
  - g. Social work services
  - h. Health services
  - i. Transportation
  - j. Food service operation
  - k. Extracurricular
  - l. General administration
  - m. Plant maintenance and operations
  - n. Security and monitoring services
  - o. Data processing services
  - p. Community services
  - q. Total operating expenditures
10. Reported on and comparatively analyzed the following indicators for payroll and select salary District expenditures compared to its peer districts' average and the State average and explained any significant variances from the peer districts' average in any category.
  - a. Payroll as a percentage of all funds
  - b. Average teacher salary
  - c. Average administrative salary
  - d. 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, and comparatively analyzed unassigned balance per student and as a percentage of three-month operating expenditures and explained any significant variances.
12. Reported on and comparatively analyzed 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:
  - a. Teaching
  - b. Support
  - c. Administrative
  - d. Paraprofessional
  - e. Auxiliary
  - f. Students per total staff
  - g. Students per teaching staff
13. Reported on and comparatively analyzed the District's teacher turnover rate as well as its peer districts and the State's average.

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

14. 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.
  - a. Special Education
  - b. Bilingual Education
  - c. Migrant Programs
  - d. Gifted and Talented Programs
  - e. Career and Technical Education
  - f. Athletics and Extracurricular Activities
  - g. Alternative Education Program/Disciplinary Alternative Education Program
  - h. Juvenile Justice Alternative Education Program
15. Described how the District maximizes available resources from state sources and regional education service centers to develop or implement programs or deliver services.
16. Report on the results of the District's previous annual financial statement external audit report, independent auditor's opinion as required by *Government Auditing Standards*.
17. Explained the basis of TEA assigning the District a financial-related monitoring/oversight role during the past three years if applicable.
18. In regard to the District's budget process, management provided a response to each of the following questions:
  - a. Does the district's budget planning process include projections for enrollment and staffing?
  - b. Does the district's budget process include monthly and quarterly reviews to determine the status of annual spending?
  - c. Does the district use cost allocation procedures to determine campus budgets and cost centers?
  - d. Does the district analyze educational costs and student needs to determine campus budgets?
19. Provided a description of the District's self-funded program, if any, and analyzed whether program revenues are sufficient to cover program costs.
20. Reported whether the District administrators are evaluated annually and, if so, explained how the results inform District operations.
21. In regard to the District's compensation system, management provided a response to the following questions:
  - a. Does the District use salary bonuses or merit pay systems? If yes, explain the performance-based systems and the factors used.
  - b. 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?
  - c. Does the District periodically adjust its compensation structure using verifiable salary survey information, benchmarking, and comparable salary data?
  - d. Has the District made any internal equity and/or market adjustments to salaries within the past two years?

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

22. In regard to planning, management provided a response for each of the following questions:

- a. Does the District develop a District Improvement Plan (DIP) annually?
- b. Do all campuses in the District develop a Campus Improvement Plan (CIP) annually?
- c. Does the District have an active and current facilities master plan? If yes, does the District consider these factors to inform the plan:
  - i. Does the District use enrollment projections?
  - ii. Does the District analyze facility capacity?
  - iii. 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?

23. In regard to District academic information, management provided a response for each of the following questions:

- a. Does the District have a teacher mentoring program?
- b. Are decisions to adopt new programs or discontinue existing programs made based on quantifiable data and research?
- c. When adopting new programs, does the District define expected results?
- d. 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?

24. Management provided a response to the question if the District modifies programs, plans staff development opportunities, or evaluates staff based on analyses of student test results.

Additional reporting data on accountability, students, staffing and finances with peer districts and state comparisons, including relevant source information, is included in Section IV.

Additional financial, operational, and academic information, including the results of management inquiries, is included in Section V.

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

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

### **1. Peer Districts**

Eight peer districts were identified by using the Texas Education Agency (TEA) Snapshot tool. The peer districts were selected based on their comparable size (10,000 to 24,999 students) and their tax rate (\$1.2148 to \$1.3239) to Magnolia Independent School District (the "District").

---

**FIGURE 1  
PEER DISTRICTS**

---

<u>Peer Districts</u>	<u>County</u>
Bastrop ISD	Bastrop County
College Station ISD	Brazos County
Grapevine-Colleyville ISD	Tarrant County
Judson ISD	Bexar County
Pearland ISD	Brazoria County
Tomball ISD	Harris County
Tyler ISD	Smith County
Waco ISD	McLennan County

### **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 were rated A through C or were assigned a label of Not Rated: SB 1365. This label of not rated was applied when the domain, or overall scaled score for a district or campus was less than 70.

---

**FIGURE 2  
ACCOUNTABILITY RATING COMPARISON  
2022-2023**

---

	<u>District</u> <u>Rating (A-F)</u>	<u>District</u> <u>Score (1-100)</u>	<u>Peer District</u> <u>Average</u> <u>Score (1-100)</u>
Rating/Score	A	98	95

SOURCE: Texas Education Agency, Financial Integrity Rating System of Texas.

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

---

**FIGURE 3**  
**ACCOUNTABILITY RATING BY CAMPUS LEVEL**  
**2022-2023**

---

	<u>Elementary Schools</u>	<u>Junior High Schools</u>	<u>High Schools</u>
A	3	-	1
B	4	4	2
C	1	-	-
D	-	-	-
F	-	-	-
Not Rated	-	1	1

In 2022-2023, there were no campuses that received an "F" rating, and no campuses that were required to implement a campus turnaround plan. The two campuses Not Rated: Senate Bill 1365 were AEP and Project Restore.

### **3. Financial Rating**

The State of Texas has implemented a financial accountability rating system for schools called the School Financial Integrity Rating System of Texas (FIRST). This system ensures that Texas public schools are evaluated on the effectiveness of their financial management practices and encourages continuous improvement. The goal is to help schools manage their resources effectively to maximize funds allocated for direct instructional purposes.

The FIRST system assesses school districts based on the quality of their financial management through five critical indicators and a minimum score from an additional ten indicators. Starting with the 2015-2016 ratings, which reflect 2014-2015 financial data, the Texas Education Agency transitioned from a "Pass/Fail" system to assigning letter grades. The grades and corresponding points are outlined below:

<u>Rating</u>	<u>Points</u>
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 fiscal year 2021-2022 data was an A (Superior). The District also earned a Superior Rating in 2019, 2020, 2021 and 2022.

---

**FIGURE 4**  
**SCHOOL FIRST**  
**2022-2023**

---

<u>Rating</u>	<u>District Rating (A-F)</u>
	A

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

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

##### **Student Characteristics**

Each student in public schools is catered to differently depending on their unique characteristics. This information is collected annually by the Texas Education Agency. Figure 5 presents student counts for five selected characteristics, detailed below:

**Economically Disadvantaged** – This term corresponds to educationally disadvantaged, defined by the Texas Education Code (TEC) §5.001(4) as a student who qualifies for the national free or reduced-price lunch program.

**English Learners** – According to the Texas Education Agency, an English Learner is a student learning English whose primary language is different; this term is synonymous with English Language Learner (ELL) and Limited English Proficient (LEP).

**Special Education** – Special education students are those with disabilities as defined by Federal regulations (34 CFR § 300.304 through 300.311), Texas state laws (Texas Education Code §29.003), or the Commissioner's/State Board of Education Rules (§89.1040).

**Bilingual/ESL Education** – The Texas Education Code §29.055 defines students in bilingual education programs as those receiving dual-language instruction that teaches basic skills in the students' primary language and ensures a structured progression in English language skills. Students in English as a Second Language (ESL) programs receive intensive English instruction from teachers trained in addressing language differences.

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

---

**FIGURE 5**  
**SELECTED STUDENT CHARACTERISTICS**  
**2022-2023**

---

<b>Magnolia ISD</b>				
	<b>Total Student Population Count</b>	<b>Percentage of Student Population</b>	<b>Peer District Average Percentage</b>	<b>State Average Percentage</b>
Total Students	14,406	100.0%	N/A	N/A
Economically Disadvantaged	6,718	47.8%	55.9%	62.0%
English Learners	2,666	19.0%	18.6%	23.0%
Special Education	2,009	14.3%	12.6%	12.7%
Bilingual/ESL Education	2,543	18.1%	19.0%	23.2%
Career and Tech Education	3,588	25.5%	27.4%	26.5%

SOURCE: Texas Education Agency, Texas Academic Performance Reports

There are 5.5 million students served by public schools in the State of Texas. Of those students, 3.4 million or 62 percent are economically disadvantaged. The percentage of economically disadvantaged students served by the District compared to its total student population totaled 47.8 percent, which is 8.1 percent less than the peer district average and 14.2 percent less than the State average, respectively.

The peer districts average total student count was 17,679. Of the peer districts evaluated, Judson Independent School District had the highest total student count of 25,871, while Bastrop Independent School District had the lowest student count of 12,506.

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

### **Attendance**

A school district's State Funding involves a complex calculation with many factors, and student attendance is a key component. The district's attendance rate is slightly lower by 1.2 percent compared to peer districts and 1 percent below the state average.

---

**FIGURE 6**  
**ATTENDANCE RATE**  
**2022-2023**

---

	<u>Magnolia ISD</u> <u>Total</u>	<u>Peer</u> <u>Districts</u> <u>Average</u>	<u>State</u> <u>Average</u>
Attendance Rate	94.0%	95.2%	95.0%

SOURCE: Texas Education Agency, Public Education Information System

### **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 1.17 percent. While enrollment is expected to increase, future decreases in attendance would yield a lower state funding amount.

---

**FIGURE 7**  
**5-YEAR ENROLLMENT**  
**2022-2023**

---

	<u>Enrollment</u>
2023	14,046
2022	13,663
2021	13,132
2020	13,303
2019	13,264
Average annual percentage change based on the previous five years	1.17%
2024 projection	14,453

To the Board of Trustees of the  
Magnolia Independent School District  
Magnolia, Texas

## 5. District Revenue

**FIGURE 8**  
**DIRECT TAX REVENUE**  
**2022-2023**

	Magnolia ISD		Peer Districts Average		State Average	
	Revenue Per Student	Percentage of Total	Revenue Per Student	Percentage of Total	Revenue Per Student	Percentage of Total
Local M&O Tax (Retained) (1)	\$ 6,201	58.4%	\$ 5,823	50.5%	\$ 5,214	40.7%
State (2)	2,085	19.6%	2,961	25.7%	4,310	33.6%
Federal	1,784	16.8%	1,956	17.0%	2,568	20.0%
Other Local and Intermediate	545	5.1%	796	6.8%	731	5.7%
Total Revenue	<u>\$ 10,615</u>	<u>100.0%</u>	<u>\$ 11,536</u>	<u>100.0%</u>	<u>\$ 12,823</u>	<u>100.0%</u>

Note: (1) Excludes Debt Service Recapture.

(2) Excludes TRS on-behalf revenue.

SOURCE: Texas Education Agency, Public Education Information System District Financial Actual Reports.

The financial data above excludes the District's capital projects fund and debt service fund revenues. State contributions to the Teacher Retirement System (TRS) on behalf of the District were omitted from State revenues. According to Governmental Accounting Standards Board rules, on-behalf contributions should also be recorded as expenditures, but the source reports for these analyses did not exclude these expenditures. For fiscal year 2023, the estimated state TRS contributions were \$6,774,776.

The District's receives less revenue per student compared to its peer districts average and the State average. The District receives more in local maintenance and operating than its peer districts and the state average by \$378 and \$987 respectively. Since the majority of the District's funding comes from maintenance and operations tax revenue, the amount of state revenue the District is eligible for is lower than that of its peers. The District receives less state funding when compared to both its peer group and the state averages.

To the Board of Trustees  
 Magnolia Independent School District  
 Magnolia, Texas

## 6. District Expenditures

**FIGURE 9**  
**DISTRICT ACTUAL OPERATING EXPENDITURES**  
**2022-2023**

	<u>Magnolia ISD</u>		<u>Peer Districts Average</u>		<u>State Average</u>	
	Expenditure per Student	Percentage of Total	Expenditure per Student	Percentage of Total	Expenditure Per Student	Percentage of Total
Instruction	\$ 6,358	57.3%	\$ 6,422	56.3%	\$ 6,849	55.4%
Instructional Resources and Media	82	0.7%	124	1.1%	121	1.0%
Curriculum and Staff Development	167	1.5%	302	2.7%	308	2.5%
Instructional Leadership	177	1.6%	198	1.7%	223	1.8%
School Leadership	591	5.3%	585	5.1%	710	5.7%
Guidance Counseling Services	504	4.5%	457	4.0%	497	4.0%
Social Work Services	7	0.1%	46	0.4%	46	0.4%
Health Services	91	0.8%	119	1.0%	133	1.1%
Transportation	623	5.6%	351	3.1%	374	3.0%
Food Service Operation	664	6.0%	567	5.0%	631	5.1%
Extracurricular	328	2.9%	405	3.6%	384	3.1%
General Administration	306	2.7%	315	2.8%	411	3.3%
Plant Maintenance and Operations	928	8.3%	1,082	9.5%	1,227	9.9%
Security and Monitoring Services	124	1.1%	132	1.2%	165	1.3%
Data Processing Services	171	1.5%	202	1.8%	239	1.9%
Community Services	9	0.1%	75	0.7%	64	0.5%
 Total Operating Expenditures	 \$ 11,130	 <u>100%</u>	 \$ 11,379	 <u>100%</u>	 \$ 12,382	 <u>100%</u>

SOURCE: Texas Education Agency, Public Education Information System District Financial Actual Reports.

Capital outlay, debt service payments and other intergovernmental expenditures are not considered operating expenditures. While the District spends only slightly less than its peer group in both direct instructional expenditures and overall operating expenditures in dollar amounts, as a percentage of overall expenditures the District's instructional spending is higher than both its peer group and the state average. The District and its peer group both spend less on directional instructional expenditures and overall expenditures than the state average. The District also spends significantly more on transportation costs than its peer group and the state average by \$272 per student and \$249 per student respectively. The District's operating expenditures exceeded operating revenue per student by \$515 in fiscal year 2023 primarily related increases in overall costs without additional state aid for these costs.

## 7. District Payroll Expenditures Summary

**FIGURE 10**  
**PAYROLL EXPENDITURE SUMMARY**  
**2022-2023**

	Magnolia ISD	<u>Peer Districts</u>		
		<u>Average</u>	<u>State Average</u>	
Payroll as a % of All Funds	82.76%	79.15%	77.83%	
Average Teacher Salary	\$ 60,334	\$ 58,852	\$ 60,717	
Average Administrative Salary	\$ 110,388	\$ 103,068	\$ 98,935	
Superintendent Salary	\$ 302,467	\$ 294,343	\$ 163,949	

SOURCE: Texas Education Agency, Public Education Information System District Financial Actual Reports.

To the Board of Trustees  
Magnolia Independent School District  
Magnolia, Texas

The District spends more on payroll costs than its peer districts average and the State average. The District, on average, spends more per teacher than its peer districts average but slightly less than State average per teacher. As described further below, in comparison to geographic competitors, the District average pay for teachers is lagging, leading to increases in turnover rate.

The average administrative salary is higher than the two comparison groups as is the Superintendent's salary compared to 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 21 to 189,934 students. The highest superintendent salary of the peer group was \$361,264 at Tomball Independent School District, while the lowest superintendent salary of the peer group was \$240,555 at College Station Independent School District.

## 8. Fund Balance

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. 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. Finally, unassigned fund balance is the remaining amount that is not restricted, committed, or assigned for a specific purpose.

The Texas Education Agency measures unassigned fund balance against three months (25%) of yearly operating costs. As of August 31, 2023, the District's unassigned fund balance was \$33.2 million, while General Fund expenditures were \$127.7 million. Three months of expenses total \$31.9 million, which means the District's unassigned fund balance exceeds this amount. Unassigned fund balance can be used for one-time costs or emergencies but shouldn't support ongoing operational expenditures.

---

**FIGURE 11**  
**GENERAL FUND BALANCE**  
**2022-2023**

---

<b>Magnolia ISD</b>			
	General Fund	Unassigned	Fund Balance as a Percentage of 3-Month Operating Expenditure
General Fund	Unassigned	Fund Balance as a Percentage of Operating Expenditure	Operating Expenditure
2023	2,377	26.0%	104.1%
2022	2,484	27.3%	109.1%
2021	2,864	31.6%	126.5%
2020	2,455	27.7%	111.0%
2019	2,425	29.7%	118.7%

To the Board of Trustees  
 Magnolia Independent School District  
 Magnolia, Texas

	General Fund Unassigned Fund Balance for Student	Peer Districts Average	
		General Fund Unassigned Fund Balance as a Percentage of Operating Expenditure	General Fund Unassigned Fund Balance as a Percentage of 3-Month Operating Expenditure
2023	\$ 2,956	31.5%	126.1%
2022	2,804	31.5%	125.9%
2021	2,507	28.3%	113.1%
2020	2,550	30.3%	121.0%
2019	2,302	27.8%	111.1%

SOURCE: Texas Education Agency, Public Education Information System  
 District Financial Actual Reports.

## 9. District Staffing Levels

**FIGURE 12**  
**STAFF RATIO COMPARISON**  
**2022-2023**

		Magnolia ISD	Peer Districts Average	State Average
Teaching Staff (Percentage of Total Staff)	52.9%	49.9%	48.7%	
Support Staff (Percentage of Total Staff)	9.8%	11.2%	10.9%	
Administrative Staff (Percentage of Total Staff)	3.9%	4.4%	4.5%	
Paraprofessional Staff (Percentage of Total Staff)	10.2%	12.0%	11.3%	
Auxiliary Staff (Percentage of Total Staff)	23.2%	22.6%	24.6%	
Students Per Total Staff	8.0	7.6	7.2	
Students Per Teaching Staff	14.8	15.1	14.6	

SOURCE: Texas Education Agency, Public Education Information Management System  
 District Staff Information Reports.

The District's total staff for the year ended August 31, 2023 was 1,790. The District has slightly more students per total staff than its peer districts average and the State average, but slightly lower students per teaching staff as its peer districts average, and slightly more students per teaching staff than the State average.

To the Board of Trustees  
Magnolia Independent School District  
Magnolia, Texas

## 10. Teacher Turnover Rates

**FIGURE 13**  
**TEACHER TURNOVER RATES**  
**2022-2023**

	Magnolia ISD <u>Turnover</u>	Peer Districts <u>Average</u>	State Average <u>Turnover</u>
Teachers	23.1%	21.7%	21.4%

SOURCE: Texas Education Agency, Public Education Information Management System District Staff Information Reports.

The District's turnover rate for teachers was higher than both the peer group and the state average, which were generally in line with each other. The higher rate is due to the District being in a highly competitive market for teachers geographically. The District's two main competitors, including Tomball Independent School District which is one of the District's included in the peer group, have starting teacher salaries between 4 and 5 thousand dollars more than Magnolia ISD. This has caused teachers to leave the District for better pay at other school districts.

## 11. Special Programs

**FIGURE 14**  
**SPECIAL PROGRAMS CHARACTERISTICS**  
**2022-2023**

	Number of Student <u>Served</u>	Percentage of Enrolled Student <u>Served</u>	Program Budget Per Student <u>Served [1]</u>	Program Budget as a Percentage of District [1]	Total Staff for <u>Program [1]</u>	Students Per Total Staff for <u>Program</u>
Total Students	14,046	100.0%	N/A	N/A	N/A	N/A
Economically Disadvantaged	6,718	47.8%	\$ 9,163	47.8%	570	12
Special Education	2,009	14.3%	\$ 9,333	14.6%	132	15
English Learners and Bilingual/ESL Education	5,209	18.1%	\$ 171	0.7%	45	117
Career and Technical Education	3,588	25.5%	\$ 1,008	2.8%	38	94
Athletics and Extracurricular Activities [1]	2,387	17.0%	\$ 964	1.8%	102	23
Alternative Education Program (ALPHA) [1]	59	0.4%	\$ 14,317	0.7%	8	7
Disciplinary Alternative Education Program [1]	223	1.6%	\$ 2,027	0.4%	16	14

[1] Information was provided by the District

To the Board of Trustees  
Magnolia Independent School District  
Magnolia, Texas

## **SECTION V - ADDITIONAL FINANCIAL, OPERATIONAL, AND ACADEMIC INFORMATION**

### **1. State and Regional Resources**

The District persistently investigates various funding avenues, tapping into state, federal, and local grants. It evaluates and identifies potential grants that could advantageously support its initiatives. The Support Staff aids in securing external funds for distinguished educational programs aimed at enhancing student academic success and graduation rates. Grant sources span a broad spectrum, ranging from state and federal to local opportunities. All funding, regardless of origin, is aligned with the District Strategic Plan and student performance objectives.

### **2. Reporting**

For the year ended August 31, 2023, Belt, Harris, Pechaack LLLP issued an unmodified opinion on the financial statements. There are four possible opinions: unmodified, qualified, adverse, 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>Applicable</u>
Does the District's budget planning process include projections for enrollment and staffing?	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**

Not Applicable

### **6. Staffing**

District administrators undergo yearly evaluations. These assessments ensure that skilled and efficient administrators guide campuses and departments in successfully executing the District's Strategic Plan and focusing on student success.

To the Board of Trustees  
Magnolia Independent School District  
Magnolia, Texas

## 7. Compensation System

**FIGURE 16**  
**BUDGET PROCESS**

<u>Question</u>	<u>Yes/No</u>	<u>Applicable</u>
Does the District use salary bonuses or merit pay systems?	No	
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?	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**

<u>Question</u>	<u>Yes/No</u>	<u>Applicable</u>
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 use cost allocation procedures to determine campus budgets and cost centers?	Yes	
Does the District have an active and current facilities master plan? If yes, does the District consider these factors to inform the plan: Does the District use enrollment projections Does the District analyze facility capacity? Does the District evaluate facility condition?	Yes Yes Yes	
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	

To the Board of Trustees  
Magnolia Independent School District  
Magnolia, Texas

## 9. Programs

**FIGURE 18**  
**ACADEMIC INFORMATION**

<u>Question</u>	<u>Yes/No</u>	<u>Applicable</u>
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	

