Town Council/Board of Trustees
AGENDA ITEM REPORT

DATE: February 17, 2026 **AGENDA ITEM NO:** I.1.
FROM: Marlene Rutledge, Academic Finance Manager, Cayce Lay Lamas, Finance Director, Finance
SUBJECT: Conduct Public Hearing & Discuss Westlake Academy's Charter FIRST 2025 Rating

ATTACHMENTS:

1. Westlake Academy FY 2025 Charter FIRST Management Report
2. FIRST Rating required disclosures
3. 2025 FIRST Rating Indicator_details

SUMMARY :

The Financial Integrity Rating System of Texas (FIRST) is the State of Texas' financial accountability system developed by the Texas Education Agency (TEA) to evaluate the financial management practices of public schools. FIRST was established in 1999 and expanded in 2009 to include open-enrollment charter schools under Charter FIRST. The system is designed to promote sound financial management and accountability.

BACKGROUND AND DISCUSSION:

Charter FIRST ratings are determined using a worksheet consisting of 21 financial indicators, each measuring a specific aspect of financial health and management. Ratings are based on financial, staff, and student data for the applicable fiscal year and are calculated using information reported through audited financial statements, required TEA financial submissions, and the Public Education Information Management System (PEIMS).

Failure of any critical indicator (Indicators 1–5) results in an automatic Substandard Achievement rating, regardless of total points earned. Failure of any ceiling indicator results in an automatic Above Standard Achievement rating, with the score capped at 89 points.

Fiscal Year 2025 Charter FIRST Results

For Fiscal Year 2025, based on Fiscal Year 2024 data (September 2023 – June 2024), Westlake Academy received a Superior Achievement Rating, earning 92 out of 100 points.

The point deductions were attributable to the following indicators:

- **Indicator 7 – Days of Cash on Hand:**
  Scored **4 out of 10 points** based on the sufficiency of cash and current investments to cover operating expenses.

- **Indicator 14 – Administrative Cost Ratio:**
  Scored **8 out of 10 points** based on the comparison of administrative costs to the TEA-established threshold.

No critical or ceiling indicators failed.

Required Financial Management Disclosures

In addition to the annual Charter FIRST rating, Title 19 Texas Administrative Code (TAC), Chapter 109, Subchapter AA requires the submission of a Financial Management Report to the Board of Trustees. This report includes the following disclosures:

- The Head of School's (Superintendent's) current employment contract and any addenda;
- Reimbursements received and/or payments made on behalf of the Head of School and members of the Board of Trustees;
- Outside compensation or professional consulting fees received by the Head of School;
- Gifts received by the Head of School, executive officers, and Board members (including first-degree relatives, if applicable); and
- Business transactions between the charter school and members of the Board of Trustees.

FISCAL IMPACT:
There is no financial impact.

LEGAL REVIEW:
N/A

RECOMMENDATION:
Conduct a public hearing and hold discussion regarding Westlake Academy's FIRST rating as necessary.

ACTION OPTIONS:
Conduct public hearing and hold discussion.

WESTLAKE ACADEMY



Charter FIRST

Financial Integrity Rating
System of Texas

2025 Charter FIRST Annual Financial Management Report

(Reviewing Data for Fiscal Year Ended June 30, 2024)

WESTLAKE ACADEMY
2025 Charter FIRST Annual Financial Management Report
Reviewing Data for the Year Ended June 30, 2024

INTRODUCTION

FIRST is the acronym for **F**inancial **I**ntegrity **R**ating **S**ystem of **T**exas, as developed for the Texas school districts by the Texas Education Agency in response to Senate Bill 875 of the 76th Legislature in 1999. The primary goal of the rating is to achieve quality performance in the management of school district's financial resources. Open-enrollment charter schools were included in this rating system in 2009.

FINANCIAL ACCOUNTIBILITY RATINGS

Under the FIRST system, the Texas Education Agency (TEA) assigns each school district and open-enrollment charter school a financial accountability rating based on a district's overall performance on certain financial measurements, ratios, and other indicators established by the Commissioner of Education.

Preliminary ratings are released by the Texas Education Agency every year in August. The Commissioner's Rules for Charter FIRST are contained in Title 19, Texas Administrative Code, Chapter 109, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System. There were changes in the Commissioner's Rule for Charter FIRST that were finalized in August 2018. The most substantive changes in August 2018 were implemented by the Texas Education Agency beginning with ratings year 2020-2021 based primarily on data from fiscal year 2020. During the phase-in period, the new Charter FIRST system has separate worksheets for rating years 2017-2018 through 2020-2021 as compared to subsequent years.

Going forward, the Commissioner of Education evaluates the rating system every three years and may modify the system to improve its effectiveness. Any changes made to the rating system are communicated to school districts/open-enrollment charter schools by TEA along with the effective dates of the changes.

REPORTING REQUIREMENTS

Reporting the FIRST rating to the public is a key component of the system. Under FIRST, each school district/open-enrollment charter school is required to prepare and make available an annual financial management report that includes the following:

- The district's financial management performance rating provided by the Texas Education Agency (TEA) based on its comparison with indicators established by the Commissioner of Education for the state's new Financial Accountability System.
- The district's financial management performance under each indicator for the current and previous years' financial accountability ratings; and
- Additional information required by the Commissioner of Education.

The financial management report being issued at the Charter FIRST hearing must contain certain required disclosures, in accordance with Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating Systems. Under Chapter 109, the Commissioner required certain disclosures, as follows:

- A copy of the Head of School's (Superintendent's) current employment contract. The school district/open-enrollment charter school may publish the superintendent's employment contract on the district's internet site in lieu of publication in the annual financial management report. This must disclose all compensation and benefits paid to the superintendent.

The Head of School's employment contract is located on the Academy's website: https://resources.finalsite.net/images/v1731608861/westlakeacademyorg/hdcba5vu2y0hwos4vqhy/HeadofSchoolContract_05202024.pdf

- A summary schedule for the fiscal year (12-month period) of total reimbursements received by the Head of School (Superintendent) and each board member, including transactions resulting from use of the school district's credit card(s), debit card(s), store-value card(s), and any other instruments to cover expenses incurred by the Head of School (Superintendent) and each board member. The summary schedule shall separately report reimbursements for meals, lodging, transportation, motor fuel, and other items (the summary schedule of total reimbursements is not to include reimbursements for supplies and materials that were purchased for the operation of the district).

- A summary schedule for the fiscal year of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services. The schedule shall separately report the amount received from each entity.

- A summary schedule for the fiscal year of the total dollar amount by the executive officers and board members of gifts that had an economic value of $250 or more in the aggregate in the fiscal year Code, Chapter 573, Subchapter B, as a person related to another person within the first degree by consanguinity or affinity) from an outside entity that received payments from the school district in the prior fiscal year, and gifts from competing vendors that were not awarded contracts in the prior fiscal year. This reporting requirement does not apply to reimbursement of travel-related expenses by an outside entity when the purpose of the travel is to investigate or explore matters directly related to the duties of an executive officer or board member duties, or matters related to attendance at education-related conferences and seminars whose primary purpose is to provide continuing education (this exclusion does not apply to trips for entertainment related purposes or pleasure trips). This reporting requirement excludes an individual gift or a series of gifts from a single outside entity that had an aggregate economic value of less than $250 per executive officer or board member.

- A summary schedule for the fiscal year of the dollar amount by board members for the aggregate amount of business transactions with the district. This reporting requirement is not to duplicate the items disclosed in the summary schedule of reimbursements received by board members.

- A public hearing must be held on the annual financial management report to afford interested parties the opportunity to comment on the report. The public hearing must be held within two months after receipt of the final financial accountability rating. The official notification from TEA was dated November 13, 2025.

The 2025 Charter FIRST rating was based on an analysis of financial data submitted to the Texas Education Agency for the 2023-2024 fiscal year. Twenty-one indicators were evaluated to determine the overall rating *(please note that indicator 10 was not rated for this time period)*.

Westlake Academy received a Superior Achievement Rating for FY 2025 (FY24 data). The rating worksheet detailing the Academy's performance on each of the indicators as well as the explanations/calculations of the indicators is reflected on the remaining pages of this report. Information on the FIRST rating can be found on TEA's website at https://tea.texas.gov/finance-and-grants/financial-accountability/financial-integrity-rating-system-of-texas-first/financial-integrity-rating-system-of-texas.

Charter FIRST - Financial Integrity Rating System of Texas

2024-2025 Ratings Based on Fiscal Year 2024 Data

An Excel version of the table below is available upon request

Indicator Number		Indicator Description	Calculations	Score
Critical Indicators: +1 (if any fail, the school's rating is an automatic Substandard Achievement Rating, regardless of other points earned.) **Ceiling Indicators: +2**				
1	+1	Was the complete annual financial report (AFR) and charter school financial data submitted to 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? **Audit Report Received Date: 11/15/2024**	yes/no	**yes**
2	+1	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.) **Clean Audit:** ✓	yes/no	**yes**
3	+1	Was the charter school in compliance with the payment terms of all debt agreements at fiscal-year end? (If the charter school was in default in a prior fiscal year, an exemption applies in following years if the charter school 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.) **No Debt Defaults:** ✓	yes/no	**yes**
4	+1 +2	Did the charter school make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? **Warrant Hold:** ✓ **Cleared in 30 days:** ✓ **Timely Payments:** ✓	yes/no	**yes**
5	+1 +2	Was the total net asset balance in the Statement of Financial Position for the charter school greater than zero? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average of 7 percent growth in students year over year until it completes its fifth year of operations. After the fifth year of operations, the calculation changes to the 7 percent increase in 5 years.)		**yes**
		A. Total net asset balance in the statement of financial position in the AFR:	(3,142,655)	
		B1. Pension Expense:	0	
		B2. Other Post Employment Benefits (OPEB):	1,484,624	

		B3. Net Pension Liability (NPL):	4,390,064	
		B. Pension Expense, OPEB, and NPL, as applicable:	5,874,688	
		C. Net Assets Threshold:	0	
		~ OR ~		
		D. Number of students in membership in year 5 from base year:	888	
		E. Number of students in membership in base year:	901	
		F. Threshold for percent change in students in membership:	7	
		G. Percent change of students in membership over 5 years:	-1.4428%	
		H. New charter school (open for less than 5 years from base year):	no	
6	+2	Was the average change in total net assets over 3 years less than a 25 percent decrease or did the current year total net asset balance exceed 75 days of operational expenses [(total expenses less depreciation) / 365] *75	pass/fail	**pass**
		A. Total Net Assets for Year 1 (three years prior to current year under review-FY20):	(3,025,239)	
		B. Total Net Assets for Year 2 (two years prior to current year under review-FY21):	(329,152)	
		C. Total Net Assets for Year 3 (one year prior to current year under review-FY22):	(3,450,477)	
		D. Total Net Assets for Year 4 (current year under review-FY23):	(3,142,655)	
		E. Total Expenditures (all funds)	10,865,191	
		F. Depreciation Expense	161,589	
		G. Average Change in Total Net Assets Over 3 years:	283.4167%	
		H. 75 Days of Operational Expenditures:	2,199,370	
		I. Current Year Total Net Assets > 75 Days of Operational Expenses:		
		Error in B: Amt s/b (3,071,158), G would equal 1.6492% change in net assets over 3 years		
7		Was the number of days of cash on hand and current investments for the charter school sufficient to cover operating expenses? The calculation will use expenses, excluding depreciation.	max points: 10	**4**
		A. Cash & Equivalents (all funds):	1,090,272	
		B. Current Investments:	0	
		C. Total Expenditures (all funds):	10,865,191	
		D. Depreciation Expense:	161,589	
		E. Pension Expense:	0	
		F. Days of Cash on Hand & Current Investments:	37.1790	

8		Was the measure of current assets to current liabilities ratio for the charter school sufficient to cover short-term debt?	max points: 10	**10**
		A. Current Assets:	2,534,650	
		B. Current Liabilities:	600,134	
		C. Current Assets to Current Liabilities Ratio:	4.2235	
		D. Threshold for Current Assets to Current Liabilities Ratio:	1	
9		Did the charter school's revenues equal or exceed expenses, excluding depreciation? If not, was the charter school's number of days of cash on hand greater than or equal to 40 days? The calculation will use expenses, excluding depreciation.	max points: 5	**5**
		A. Total Revenue (all funds/sources):	11,851,636	
		B. Total Expenses (all funds):	10,865,191	
		C. Depreciation:	161,589	
		D. Pension Expense, OPEB, and NPL, as applicable	0	
		E. Net Total Expenses	10,703,602	
		F. Total Revenue (A) >/= Net Total Expenses (E)	yes	
		G. Days of Cash on Hand & Current Investments	37.1790	
10		*This indicator is not being evaluated.*	max points: 10	**10**
		All charter schools will continue to receive 10 points on this indicator.		
11		Was the ratio of long-term liabilities to total assets for the charter school sufficient to support long-term solvency? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the charter school passes this indicator.) (New charter schools that have a negative net asset balance will pass this indicator if they have an average of 7 percent growth in students year over year until it completes its 5thyear of operations. After the 5th year of operations, the calculation changes to the 7 percent increase in 5 years.)	max points: 10	**10**
		A. Long-Term Liabilities:	5,874,688	
		B1. Pension Expense:	0	
		B2. Other Post Employment Benefits (OPEB):	1,484,624	
		B3. Net Pension Liability (NPL):	4,390,064	
		B. Pension Expense, OPEB, and NPL, as applicable:	5,874,688	
		C. Total Assets:	2,728,555	
		D. Long-term Liabilities to Total Assets Ratio:	0	

		~ OR ~		
		E. Number of students in membership in year 5 from base year:	888	
		F. Number of students in membership in base year:	901	
		G. Threshold for percent change in students in membership:	7	
		H. Percent change of students in membership over 5 years:	-1.4428%	
		I. New charter school (Open for less than 5 years from base year)	no	
12		Was the debt service coverage ratio sufficient to meet the required debt service?	max points: 10	**10**
		A. Total Revenue (all funds/sources):	11,851,636	
		B. Total Expenses (all funds):	10,865,191	
		C. Depreciation:	161,589	
		D. Interest Amount:	0	
		E. Principal Amount:	0	
		F. Pension Expense:	0	
		G. Debt Service Coverage Ratio:		
13		Did the charter school have a debt-to-capitalization percentage that was reasonable for the charter school to continue operating?	max points: 5	**5**
		A. Long-Term Liabilities:	5,874,688	
		B. Total Net Assets	(3,142,655)	
		C. Debt to Capitalization Ratio:	215.0299%	
14		Was the charter school's administrative cost ratio equal to or less than the threshold ratio?	max points: 10	**8**
		Average Daily Attendance:	842.583	
		A. Admin Costs:	966,462	
		B. Other Costs:	5,955,154	
		C. Administrative Cost Ratio:	0.1623	
15		Did the charter school 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 charter school will automatically pass this indicator.)	max points: 10	**10**
		A1. Number of currently enrolled students:	888	
		A2. Number of current FTE Staff:	108.0014	
		B1. Number of students enrolled 3 years prior to the year under review:	877	

		B2. Number of FTE Staff 3 years prior to the year under review:	99.9570	
		C. Number of currently enrolled students:	888	
		D. Number of students enrolled 3 years prior to the year under review	877	
		E. Change in Ratio:	-6.2876%	
16		Was the charter school's actual average daily attendance (ADA) within 10 percent of the charter school's annual estimated ADA?	max points: 5	**5**
		A. Actual ADA:	842.583	
		B. Estimated ADA:	827.0230	
		C. Variance (%):	1.8814	
17	+2	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the charter school's AFR result in a total variance of less than 3 percent of all expenses by function?	pass/fail	**pass**
		A. Data Variance (Sum of Differences):	1,111,895	
		B. Total Expenses (all funds):	10,865,191	
		C. Total Variance	10.2336%	
		D. Threshold for percentage of Data Variance:	3	
18	+2	Did the external independent auditor report that the AFR was free from any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds and free from substantial doubt about the charter school's ability to continue as a going concern? (The AICPA defines material weakness.) **(Not) Material Weakness or Going Concern: ✓**	pass/fail	**pass**
19		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.)	yes (10)/no (0)	**10**
20		Did the charter school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statues, laws and rules that were in effect at the charter school's fiscal-year end? **(Not) Material Non-Compliance: ✓**	max points: 5	**5**
21	+2	Did the charter school receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of a financial hardship? **No adjusted repayment plan required**	pass/fail	**pass**
		Weighted Sum		**92**
		Max Points (critical indicator 1)		**yes**
		FINAL RATING	**A Superior Achievement**	

FIRST RATING CRITERIA

Charter FIRST
Financial Integrity Rating System of Texas

Did the charter school fail any of the critical indicators 1, 2, 3, 4, or 5 (parts 1 and 2)? If so, the charter school's rating is **F = Substandard Achievement** rating regardless of total points earned.	
Determine the rating by the applicable number of points.	**Points**
A = Superior Achievement	90-100
B = Above Standard Achievement	80-89
C = Meets Standard Achievement	0-69
(The charter school receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, 4, or 5, in the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis.)	

Ceiling Indicators		
Did the charter school meet the criteria for any of the following **ceiling indicators** 4, 5, 6, 17, 18, or 21? If so, the charter school's applicable maximum points and rating are disclosed below.		
Determination of rating based on meeting ceiling criteria.	**Maximum Points**	**Maximum Rating**
Indicator 4 (Timely Payments): Was the charter school issued a warrant hold?	95	A = Superior Achievement
Indicator 5 (Total Net Assets): Negative total net assets and pass indicator based only on 7% or more increase in students in membership over 5 years	79	C = Meets Standard Achievement
Indicator 6 (Average Change in Total Net Assets): Response to indicator is *No.*	89	B = Above Standard Achievement
Indicator 17 (PEIMS to AFR): Response to indicator is *No.*	89	B = Above Standard Achievement
Indicator 18 (Material Weaknesses): Response to indicator is *No.*	79	C = Meets Standard Achievement
Indicator 21 (Adjusted repayment schedule for over-allocated FSP funds): Response to indicator is *No.*	70	C = Meets Standard Achievement
If the charter school's overall points earned is less than the maximum points allowed by the applicable ceiling indicator, the charter school will receive a rating based on the lesser points earned. If the charter school fails a critical indicator or the charter school's total number of points is equal to or less than 69 points, the charter school will receive an F = Substandard Achievement rating, regardless of any ceiling indicator criteria met.		

DISCLOSURES

Charter FIRST
Financial Integrity Rating System of Texas

Per Title 19 Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, Section 109.1001(o), the five (5) disclosures listed below are required for the financial management report that is to be distributed at the Charter FIRST public hearing. All financial information related to the Head of School, the Board of Trustees, or the Academy Executive Staff are from the most current fiscal year ending June 30, 2024.

1. Head of School's (Superintendent's) current employment contract:

   A copy of the Head of School's (Superintendent's) current employment contract at the time of the School FIRST hearing is to be provided.

   The current Head of School assumes the responsibilities as per the contract, which is approved by the Board of Trustees. All salary/benefits and other forms of compensation are paid by Westlake Academy through the General Fund budget. No salary is paid through the Town of Westlake. The contract can be viewed on the Academy's website at:
   https://resources.finalsite.net/images/v1731608861/westlakeacademyorg/hdcba5vu2y0hwos4vqhy/HeadofSchoolContract_05202024.pdf

2. Reimbursement received by the Head of School (Superintendent) and Board Members:

   All "reimbursement" expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. Items to be reported per category include:
   - Meals – Meals consumed out of town, and in geographic-boundary meals at area restaurants (outside of board meetings, excludes catered board meeting meals).
   - Lodging – Hotel charges
   - Transportation – Airfare, car rental (can include fuel on rental, taxis, mileage reimbursements, leased cars, parking and tolls.)
   - Motor fuel – gasoline
   - Other – Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.
     - *Reimbursements and/or payments made on behalf of Dr. Kelly Ritchie during fiscal year 2025 totaled $5,563.*
     - *Payments made on behalf of the Board of Trustees included the online governance training access provided by ESC Region 10 to meet the annual Charter Board Governance training requirement, totaling $2,820.*
     - *Refer to the FIRST Rating Required Disclosures schedule for details.*

3. Outside compensation and/or fees received by the Superintendent for Professional consulting and/or other personal services.

   Compensation does not include business revenues generated from a family business (farming, ranching, etc.) that has no relation to charter school business.

   There were no compensation and/or fees received by the Head of School for Professional Consulting and/or other personal services during the fiscal year 2024-2025.

4. Gifts received by Executive Officers and Board Members (and first-degree relatives, if any) gifts that had an economic value of $250 or more in the aggregate in the fiscal year)

   An executive officer is defined as “the superintendent” unless the board of trustees or the charter school administration names additional staff under the classification for local officials.

   There were no gifts received by Executive Officers and Board Members (and first-degree relatives) during the fiscal year 2024-2025.

5. Business transactions between Charter School and Board Members

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

   There were no business transactions between Westlake Academy and Board Members during the fiscal year 2024-2025.

GLOSSARY[1]

Accounting: A standard school fiscal accounting system must be adopted and installed by the board of trustees of each school. 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.

All Funds: A school's accounting system is organized and operated on a fund basis where each fund is a separate fiscal entity in the school 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

Assigned Fund Balance: The assigned fund balance represents tentative plans for the future use of financial resources. Assignments require executive management (if approved per board policy to assign this responsibility to executive management) 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. TEA is charged with review of the independent audit of the local education agencies.

Beginning Fund Balance: The fund balance on the first day of a new fiscal year. For most schools 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 20th of each year, the superintendent (or designee) must prepare a budget for the school if the fiscal year begins on September 1st. (For those schools with fiscal years beginning July 1, this date would be June 19.) 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 expenditures 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 the object, Capital Outlay. The amount spent on acquisitions, construction, or major renovation of school facilities are reported under the function, Capital Outlay.

[1]*Glossary is provided by the Texas Education Agency (TEA) for independent school districts. Some of the information may not pertain to Westlake Academy.*

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.

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.

Debt Service: The function, Debt Service, is a major functional area that is used for expenditures that are used for the payment of debt principal and interest. Expenditures that are for the retirement of general obligation bonds, capital lease principal, and other debt, related debt service fees, and for all debt interest fall under this function. The object, Debt Service, 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.

Ending Fund Balance: The amount of unencumbered surplus fund balance reported by the School at the end of the specified fiscal year. For most schools, 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.

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: Is the shared financial arrangement between the state and the school, 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.

FTE: Full-Time Equivalent (FTE) 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, schools 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 as an overall entity.

General Fund: This fund finances the fundamental operations of the School 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.

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.

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.

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.

Non-Spendable 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). Non-spendable 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 major object groupings it belongs:

- Assets
- Liabilities
- Fund Balances
- Revenue
- Expenditures/Expenses
- Other Resources/Non-Operating Revenue/Residual Equity Transfers In
- Other Uses/Non-Operating Revenue/Residual Equity Transfers Out

Operating Expenditures: A wide variety of expenditures necessary to a school'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 schools
- Tuition and Fees
- Rental payments, interest, investment income
- Sale of food and revenues from athletic and extra/co-curricular activities
- Revenues from counties, municipalities, utility districts, etc.

Other Operating Costs: Expenditures necessary for the operation of the school 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.

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. *(NOTE: Payroll amounts do not include salaries for contract workers employed by outsource companies, e.g., for child nutrition and maintenance. Therefore, this figure will vary significantly between schools that use contract workers and those that do not.)*

PEIMS: Public Education Information Management System, 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 schools. PEIMS is a major improvement over previous information sources gathered from aggregated data available on paper reports. Schools 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.
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 day's attendance is divided by the number of days of instruction to compute the refined average daily attendance.

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

Revenues: Any increase in a school'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.

School Year: The twelve months beginning July 1 of one year and ending June 30 of the following year or beginning September 1 and ending August 31. Schools 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 TEA, 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 and show concern when school 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: Unrestricted net asset balance refers to the portion of total net assets that is neither invested in capital assets nor restricted.

WADA: 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'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's WADA will be.