



Ferris ISD

Annual Financial Management Report 2023-2024



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Glossary

**Ferris Independent School District
Annual Financial Management Report
2022-20223 Data
Executive Summary**

Background Information

This is the 21st year of School FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency (TEA) in response to Senate Bill 875 from the 76th Texas Legislature in 1999. The financial rating is issued each year by TEA based on financial data submitted by each school district. The data is submitted through the Public Education Information Management System (PEIMS). This PEIMS data is used to answer a series of specifically designed financial questions for the given fiscal school year.

Major changes to the School FIRST system were implemented by the Texas Education Agency in August 2015 that combined financial management indicators with financial solvency indicators, in accordance with House Bill 5, the 83rd Texas Legislature, Regular Session, 2013. The primary goal of School FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

Additional changes were added for 2022-2023 fiscal year. Some of the points per indicator have changed and now there are 20 indicators. In the past, there were 15 indicators. A new type of indicator, called a "Ceiling Indicator" was added.

Determination of Rating

The School FIRST system contains twenty (20) financial indicators assessing the 2020-2021 fiscal year financial data of the District. Indicator questions 1 through 5 are considered to be critical indicators of financial condition and fiscal management and are answered as either "Yes" or "No". There are now 7 ceiling indicators with additional criteria for questions 4,5,6,16,17,20 and 21. Indicator questions 7 through 14, 18 and 19 are assigned a numerical score based on the numerical measurement used. The highest possible of 100 points is based on receiving a "Yes" on the first 5 indicators and then a numerical score of 0 to 10 on the other indicators. For the 2023 Rating, Indicators 10 and 15 are also not being scored due to the recent pandemic.

District Ratings

For the current reporting period, the School FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts as follows:

| | |
|--------------------------------|---------------------|
| A – Superior Achievement | 90 – 100 points |
| B – Above Standard Achievement | 80 – 89 points |
| C – Meets Standard Achievement | 70 – 79 points |
| F – Substandard Achievement | less than 70 points |

Districts that receive the "Substandard Achievement" rating under School FIRST must file a corrective action plan with the Texas Education Agency.

**Ferris Independent School District
Annual Financial Management Report
2022-2023
Executive Summary**

**For the 2022-2023 School FIRST rating, the Ferris Independent School District
Received a rating of:**

SUPERIOR ACHIEVEMENT

From the financial data submitted for the 2022-2023 fiscal year, the District received 100 points out of a possible 100. The complete results to the indicators are listed in the details of this report. This is an increase of 10 points over as last year, receiving a Superior Achievement rating.

Reporting, Notices and Public Meetings

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

As required by State law, the Board of Trustees shall hold a public meeting within two months of receiving the final financial accountability rating. Notice of the meeting to discuss the school financial accountability rating must be published in a local newspaper. The notice must be no more than thirty days or less than ten days prior to the scheduled meeting date. The District has complied with the public hearing notification in the local newspaper. The public meeting was held in conjunction with the regularly called School Board meeting on October 15, 2024.





Financial Integrity Rating System of Texas

2023-2024 RATINGS BASED ON SCHOOL YEAR 2022-2023 DATA - DISTRICT STATUS DETAIL

| | |
|---|---|
| Name: FERRIS ISD(070905) | Publication Level 1: 8/8/2024 6:33:40 PM |
| Status: Passed | Publication Level 2: 8/8/2024 6:33:40 PM |
| Rating: A = Superior Achievement | Last Updated: 8/20/2024 1:38:50 PM |
| District Score: 100 | Passing Score: 70 |

| # | Indicator Description | Updated | Score |
|---|---|-------------------------|------------------------------|
| 1 | <u>Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</u> | 4/19/2024 6:26:01 PM | Yes |
| 2 | <u>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</u> | 4/19/2024 6:26:01 PM | Yes |
| 3 | <u>Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u> | 4/19/2024 6:26:01 PM | Yes |
| 4 | <u>Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments and will fail critical indicator 4. If the school district was issued a warrant hold, the maximum points and highest rating that the school district may receive is 95 points, A = Superior Achievement, even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days.)</u> | 4/19/2024 6:26:01 PM | Yes Ceiling Passed |
| | | | 1 Multiplier Sum |
| 5 | <u>Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero? (If it is not, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement, unless the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership. If the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u> | 4/19/2024 6:26:01 PM | Ceiling Passed |
| 6 | <u>Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures? (If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u> | 4/19/2024 6:26:01 PM | Ceiling Passed |

| | | | |
|----|---|-------------------------|------------------------|
| 7 | <u>Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? See ranges below in the Determination of Points section.</u> | 4/19/2024 6:26:01 PM | 10 |
| 8 | <u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? See ranges below in the Determination of Points section.</u> | 4/19/2024 6:26:01 PM | 10 |
| 9 | <u>Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days? See ranges below in the Determination of Points section.</u> | 4/19/2024 6:26:01 PM | 10 |
| 10 | This indicator is not being evaluated. | | 10 |
| 11 | <u>Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's increase of students in membership over 5 years was 7 percent or more or 1,000 or more students in membership, then the school district passes this indicator.)</u> | 4/19/2024 6:26:01 PM | 10 |
| 12 | <u>What is the correlation between future debt requirements and the district's assessed property value?</u> | 8/20/2024 1:38:49 PM | 10 |
| 13 | <u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? See ranges below in the Determination of Points section.</u> | 8/20/2024 1:38:49 PM | 10 |
| 14 | <u>Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? If the student enrollment did not decrease, the school district will automatically pass this indicator.</u> | 4/19/2024 6:26:01 PM | 10 |
| 15 | This indicator is not being evaluated. | | 5 |
| 16 | <u>Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u> | 4/19/2024 6:26:01 PM | Ceiling Passed |
| 17 | <u>Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds and free from substantial doubt about the school district's ability to continue as a going concern? (The AICPA defines material weakness.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.)</u> | 4/19/2024 6:26:01 PM | Ceiling Passed |
| 18 | <u>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.)</u> | 4/19/2024 6:26:01 PM | 10 |
| 19 | <u>Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?</u> | 4/19/2024 6:26:01 PM | 5 |
| 20 | <u>Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?</u> | 4/19/2024 6:26:01 PM | Ceiling Passed |
| 21 | <u>Did the school district 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?</u> | 4/19/2024 6:26:01 PM | Ceiling Passed |
| | | | 100 Weighted Sum |
| | | | 1 Multiplier Sum |
| | | | (100 Ceiling) |

DETERMINATION OF RATING

| | | |
|--|---|--------|
| A. | Did the school district fail any of the critical indicators 1, 2, 3, or 4? If so, the school district's rating is F for Substandard Achievement regardless of points earned. | |
| B. | Determine the rating by the applicable number of points. | |
| | A = Superior Achievement | 90-100 |
| | B = Above Standard Achievement | 80-89 |
| | C = Meets Standard Achievement | 70-79 |
| | F = Substandard Achievement | <70 |
| <p>No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.</p> <p>The school district receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, or 4, if 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.</p> | | |

CEILING INDICATORS

| | | |
|--|-----------------------|--------------------------------|
| Did the school district meet the criteria for any of the following ceiling indicators 4, 6, 16, 17, 20, or 21? If so, the school district's applicable maximum points and rating are disclosed below. Please note, an F = Substandard Achievement Rating supersedes any rating earned as the result of the school district meeting the criteria of a ceiling indicator. | | |
| Determination of rating based on meeting ceiling criteria. | Maximum Points | Maximum Rating |
| Indicator 4 (Timely Payments) - School district was issued a warrant hold. | 95 | A = Superior Achievement |
| Indicator 6 (Average Change in Fund Balance) - Response to indicator is <i>No</i> . | 89 | B = Above Standard Achievement |
| Indicator 16 (PEIMS to AFR) - Response to indicator is <i>No</i> . | 89 | B = Above Standard Achievement |
| Indicator 17 (Material Weaknesses) - Response to indicator is <i>No</i> . | 79 | C = Meets Standard Achievement |
| Indicator 20 (Property Values and Tax Discussion) - Response to indicator is <i>No</i> . | 89 | B = Above Standard Achievement |
| Indicator 21 (FSP Repayment Plan) - Response to indicator is <i>Yes</i> . | 70 | C = Meets Standard Achievement |

Home Page: [Financial Compliance | Texas Education Agency](#) | Send comments or suggestions to FinancialAccountability@tea.texas.gov

THE **TEXAS EDUCATION AGENCY**
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FIRST 5.15.7.0



HOW RATINGS ARE ASSESSED

The questions a school district must address in completing the worksheet that is used to assess its financial management system can be confusing to some individuals.

The following is a layman's explanation of what the questions mean or measure, and how Ferris ISD actually scored on the indicator question and how it impacts the overall rating.

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

The question asks if the Annual Financial Report was filed by the deadline. The Ferris ISD fiscal year end is June 30th and the AFR was filed on November 17, 2023 and the deadline was by November 27, 2023.

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

A "modified" version of the auditor's opinion in the annual audit report means that the district needs to correct some of the reporting or financial controls. The goal, therefore, is to receive an "unmodified opinion" on the Annual Financial Report. For Ferris, this is a "Yes", since the 2022-2023 audit received an unmodified opinion or "clean audit".

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

This indicator seeks to make certain that the district has paid the debt obligations on a timely basis for any financing arrangements to pay for school construction, school buses, photocopiers, etc. Ferris received a "Yes" on this indicator.

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

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



HOW RATINGS ARE ASSESSED

5. **Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post employment benefits) greater than zero?**

This indicator was not scored last year. Ferris amount is greater than 0 so we received a 1st year score of passed.

6. **Was the average change in (assigned and unassigned) fund balance over 3 years less than a 25% decrease or did the current year assigned and unassigned fund balance exceed 75 days of operational expenditures?**

This indicator measures the percentage change in fund balance to see whether the fund balance is declining too quickly and if it is declining, whether sufficient fund balance is available.

Ferris received a "Yes" on this indicator

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

This indicator measures how long in days after the end of the fiscal school year that the district could have disbursed funds for its operating expenditures without receiving any new revenues. The number of days of cash on hand for Ferris was 139 days to cover without new revenue. Received score of 10

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

This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. The Ferris assets for the 2022-2023 fiscal year were \$20,377,238 measured against the liabilities of \$6,673,821. This resulted in assets exceeding liabilities by a ratio of 3.0533 to 1 and provided a score of 10.

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

This indicator asks, "Did you spend more than you received?" The Ferris total revenues \$29,974,723 compared to total expenditures of \$30,203,896. This equated to the District having acceptable days of cash on hand. Ferris passed this with a score of 10



HOW RATINGS ARE ASSESSED

10.

This indicator is not being scored this year.

11. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?

This question is like asking someone if their mortgage exceeds the market value of their home. The Ferris long-term liabilities were \$28,649,701 compared to total assets of \$74,073,802 resulting in a ratio of 0.3868 and a score of 10 points. The optimum ratio is 0.60 or less. This indicator also recognizes that high-growth districts incur additional operating costs to open new instructional campuses.

12. What is the correlation between future debt requirements and the districts assessed property value?

This indicator asks about the school district's ability to make debt principal and interest payments. Did you meet or exceed the target amount in School FIRST? Ferris property value to long term liability ratio was 3.0046 which results in a score of 10 points. Optimum score below 4

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

This indicator measures the percentage of the budget that Texas school districts spend on administration, based on the size of the school district. The ratio takes the administrative costs and divides them by the instructional costs to determine the percentage. Ferris administrative cost ratio for the 2022-2023 fiscal year was 0.0980 % for a score of 10. The optimum administrative cost ratio is less than 10% for a district the size of Ferris.

14. Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)?

If student enrollment did not decrease, the school district will automatically pass this indicator. Ferris student enrollment increased by 130 from 2020-2021.



HOW RATINGS ARE ASSESSED

15. This indicator is not being scored this year.

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

This indicator measures the quality of data reported to PEIMS and in the Annual Financial Report to make certain that the data reported in each case “matches up.” If the difference in numbers reported in any fund type is 3 percent or more, the district “fails” this measure. For the 2022-2023 PEIMS submission, the District only had a difference of \$36 which was significantly less than the 3% threshold, so Ferris received a “Yes” on this indicator.

17. Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds and free from substantial doubt about the school district's ability to continue as a going concern? (The AICPA defines material weakness.) A “clean audit” of your Annual Financial Report would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of the district not being able to properly account for the use of public funds. Ferris did not have any material weakness identified or reported, so this indicator was passed.

18. 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.)

This indicator measures whether the district is complying with laws, rules and regulations related to the expenditure of grant funds, contracts, and other state and federal funds. Ferris did not have a material noncompliance identified or so the score was a 10.



HOW RATINGS ARE ASSESSED

- 19. Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?**

This indicator measures whether the district is complying with legal requirements related to financial transparency by posting all required information. All of the required financial information was posted on the Ferris website so a score of 5 (the maximum for this indicator) was received.

- 20. Did the school district's administration and school board members discuss any changes and /or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?**

This indicator measures whether the school board had the opportunity to consider the impact of changes in property value on the finances of the district. The District's local and State property values were discussed with the Board at the February 20, 2023 Budget workshop for the 2022-2023 fiscal year budget. Ferris received a "passed" on this indicator.

- 21. Did the school district receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of financial hardship? N/A for Ferris**



DISCLOSURES

2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2023

| For the Twelve-month Period Ended June 30, 2023 | Hector Madrigal | Rico Rodriguez | Richard Sasser | Leo Longino | Nancy Salmon | Juan Bell | Nick Hamm | Mke Moffitt |
|---|------------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|
| Description of Reimbursements | Superintendent | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member |
| Meals | \$ 0.00 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Lodging | | | | | | | | |
| Transportation | 846.54 | | | | | | | |
| Motor Fuel | | | | | | | | |
| Other -Registration | | | | | | | | |
| Total | \$ 846.54 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2023, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

Meals – Meals consumed off the school district’s premises, and in-district meals at area restaurants (excludes catered meals for board meetings).

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.



DISCLOSURES

3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2023

| | |
|---|----------------|
| For the Twelve-Month Period Ended June 30, 2023 | Hector Madigal |
| Name(s) of Entity(ies) | |
| | \$ |
| | |
| | |
| | |
| Total | \$ 0 |

Note – Compensation does not include business revenues from the superintendent’s livestock or agricultural-based activities on a ranch or farm. Report gross amount received (do not deduct business expenses from gross revenues). Revenues generated from a family business that have no relationship to school district business are not to be disclosed.



DISCLOSURES

4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2023

| | | | | | | | | |
|---|-----------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|
| For the Twelve-Month Period Ended June 30, 2023 | Hector Madrigal | Rico Rodriguez | Richard Sasser | Leo Longino | Nancy Salmon | Juan Bell | Nick Hamm | Mke Moffitt |
| | Superintendent | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member |
| Summary Amounts | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification. Gifts received by first degree relatives, if any, will be reported under the applicable school official.



DISCLOSURES

5. Business Transactions Between School District and Board Members for Fiscal Year 2023

| | | | | | | | |
|---|--------------------------------|--------------------------------|-----------------------------|------------------------------|---------------------------|---------------------------|-----------------------------|
| For the Twelve-Month Period Ended June 30, 2023 | Rico Rodriguez Board Member | Richard Sasser Board Member | Leo Longino Board Member | Nancy Salmon Board Member | Juan Bell Board Member | Nick Hamm Board Member | Mke Moffitt Board Member |
| Summary Amounts | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

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



DISCLOSURES

6. Any other information the board of trustees of the school district determines to be useful.



GLOSSARY OF TERMS

Accounting: A standard school fiscal accounting system must be adopted and installed by the board of trustees of each school district. The accounting system must conform to generally accepted accounting principles. This accounting system must also meet at least the minimum requirements prescribed by the state board of education, subject to review and comment by the state auditor.

Ad Valorem Property Tax: Literally the term means "according to value." Ad valorem taxes are based on a fixed proportion of the value of the property with respect to which the tax is assessed. They require an appraisal of the taxable subject matter's worth. General property taxes are almost invariably of this type. Ad valorem property taxes are based on ownership of the property, and are payable regardless of whether the property is used or not and whether it generates income for the owner (although these factors may affect the assessed value).

Adopted Tax Rate: The tax rate set by the school district to meet its legally adopted budget for a specific calendar year.

All Funds: A school district's accounting system is organized and operated on a fund basis where each fund is a separate fiscal entity in the school district much the same as various corporate subsidiaries are fiscally separate in private enterprise. All Funds refers to the combined total of all the funds listed below:

- The General Fund
- Special Revenue Funds (Federal Programs, Federally Funded Shared Services, State Programs, Shared State/Local Services, Local Programs)
- Debt Service Funds
- Capital Projects Funds
- Enterprise Funds for the National School Breakfast and Lunch Program

Assessed Valuation: A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assigned Fund Balance: The assigned fund balance represents tentative plans for the future use of financial resources. Assignments require executive management (per board policy to assign this responsibility to executive management prior to end of fiscal year) action to earmark fund balance for bona fide purposes that will be fulfilled within a reasonable period of time. The assignment and dollar amount for the assignment may be determined after the end of the fiscal year when final fund balance is known.

Auditing: Accounting documents and records must be audited annually by an independent auditor. Texas Education Agency (TEA) is charged with review of the independent audit of the local education agencies.

Beginning Fund Balance: The General Fund balance on the first day of a new school year. For most school districts this is equivalent to the fund balance at the end of the previous school year.

Budget: The projected financial data for the current school year. Budget data are collected for the general fund, food service fund, and debt service fund.

Budgeting: Not later than August 20 of each year, the superintendent (or designee) must prepare a budget for the school district if the fiscal year begins on September 1. (For those districts with fiscal years beginning July 1, this date would be June 20.) The legal requirements for funds to be budgeted are included in the Budgeting module of the TEA Resource Guide. The budget must be adopted before expenditures can be made, and this adoption must be prior to the setting of the tax rate for the budget year. The budget must be itemized in detail according to



GLOSSARY OF TERMS

classification and purpose of expenditure, and must be prepared according to the rules and regulations established by the state board of education. The adopted budget, as necessarily amended, shall be filed with TEA through the Public Education Information Management System (PEIMS) as of the date prescribed by TEA.

Capital Outlay: This term is used as both a Function and an Object. Expenditures for land, buildings, and equipment are covered under Object 6600. The amount spent on acquisitions, construction, or major renovation of school district facilities are reported under Function 80.

Capital Project Funds: Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.)

Cash: The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Chapter 49: A key "equity" chapter in the Texas Education Code (TEC) is Chapter 49 (formally Chapter 41). This Chapter is devoted to wealth equalization through the mechanism of recapture, the recovery of financial resources from districts defined by the state as high property wealth. Resources are recovered for the purpose of sharing them with low-wealth districts. Districts that are subject to the provisions of Chapter 49 must make a choice among several options in order to reduce their property wealth and share financial resources.

Committed Fund Balance: The committed fund balance represents constraints made by the board of trustees for planned future use of financial resources through a resolution by the board, for various specified purposes including commitments of fund balance earned through campus activity fund activities. Commitments are to be made as to purpose prior to the end of the fiscal year. The dollar amount for the commitment may be determined after the end of the fiscal year when final fund balance is known.

Comptroller Certified Property Value: The district's total taxable property value as certified by the Comptroller's Property Tax Division (Comptroller Valuation).

Days of Cash on Hand: The number of days the school district can disburse funds for its operating expenditures without receiving any new revenues.

Debt Service Fund: Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Debt Services: Two function areas (70 and 71) and one Object (6500) are identified using this terminology "debt services." Function 70 is a major functional area that is used for expenditures that are used for the payment of debt principal and interest including Function 71. Expenditures that are for the retirement of recurring bond, capital lease principal, and other debt, related debt service fees, and for all debt interest fall under Function 71. Object 6500 covers all expenditures for debt service.

Debt Service Coverage Ratio: This ratio measures an organization's ability to make debt principal and interest payments that will become due during the year.



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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 district at the end of the specified school year. For most school districts this will be equivalent to the fund balance at the beginning of the next school year.

Excess (Deficiency): Represents receivables due (excess) or owed (deficiency) at the end of the school year. This amount is recorded as Asset Object 1200.

Existing Debt Allotment (EDA): Is the amount of state funds to be allocated to the district for assistance with existing debt.

Federal Revenues: Revenues paid either directly to the district or indirectly through a local or state government entity for Federally- subsidized programs including the School Breakfast Program, National School Lunch Program, and School Health and Related Services Program. This amount is recorded as Revenue Object 5900.

Fiscal Year: A period of 12 consecutive months legislatively selected as a basis for annual financial reporting, planning, and budgeting. The fiscal year may run September 1 through August 31 or July 1 through June 30.

Foundation School Program (FSP)

Status:

The Foundation School Program (FSP) is the shared financial arrangement between the state and the school district, where property taxes are blended with revenues

from the state to cover the cost of basic and mandated programs. The nature of this arrangement falls in one of the following status categories: Regular, Special Statutory, State Administered, Education Service Center, or Open Enrollment Charter School District.

FTE: Full-Time Equivalent measures the extent to which one individual or student occupies a full-time position or provides instruction, e.g., a person who works four hours a day or a student that attends a half of a day represents a .5 FTE.

Function: Function codes identify the expenditures of an operational area or a group of related activities. For example, in order to provide the appropriate atmosphere for learning, school districts transport students to school, teach students, feed students and provide health services. Each of these activities is a function. The major functional areas are:

- Instruction and Instructional-Related Services
- Instructional and School Leadership
- Support Services - Student
- Administrative Support Services
- Support Services; Non-Student Based
- Ancillary Services
- Debt Service
- Capital Outlay
- 90 Intergovernmental Charges

Fund Balance: The difference between assets and liabilities reported in a governmental fund.

General Administration: The amount spent on managing or governing the school district as an overall entity. Expenditures associated with this functional area are reported under Function 41.

General Fund: This fund finances the fundamental operations of the district in partnership with the community. All revenues and expenditures not accounted



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for by other funds are included. This is a budgeted fund and any fund balances are considered resources available for current operations.

I&S Tax Rate: The tax rate calculated to provide the revenues needed to cover Interest and Sinking (I&S) (also referred to as Debt Service). I&S includes the interest and principal on bonds and other debt secured by property tax revenues.

Incremental Costs: The amount spent by a school district with excess wealth per WADA on the purchase of attendance credits either from the state or from other school district(s). Expenditures associated with this functional area are reported under Function 92.

Instruction: The amount spent on direct classroom instruction and other activities that deliver, enhance or direct the delivery of learning situations to students regardless of location or medium. Expenditures associated with this functional area are reported under Function 11.

Instructional Facilities Allotment (IFA): (State Aid) Provides assistance to school districts in making debt service payments on qualifying bonds and lease-purchase agreements. Proceeds must be used for the construction or renovation of an instructional facility.

Intergovernmental Charges: "Intergovernmental" is a classification used when one governmental unit transfers resources to another. In particular, when a Revenue Sharing District purchases WADA or where one school district pays another school district to educate transfer students. Expenditures associated with this functional area are reported under Function 90.

Investments in Capital Assets, Net of Related Debt: One of three components of net assets that must be reported in both

government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

Local & Intermediate Revenues: All revenues from local taxes and other local and intermediate revenues. For specifics, see the definitions for Local Tax and Other Local & Intermediate Revenues. This amount is recorded under Object 5700.

Local Tax: This is all revenues from local real and personal property taxes, including recaptured funds from 1) Contracted Instructional Services between public schools (Function 91) and 2) Incremental Costs associated with Chapter 41 of the Texas Education Code (Function 92).

M&O Tax Rate: The tax rate calculated to provide the revenues needed to cover Maintenance & Operations (M&O). M&O includes such things as salaries, utilities, and day-to-day operations.

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

No-New-Revenue Tax Rate: Formally called the Effective Tax Rate. Provides the unit with approximately the same amount of local tax revenue it had the year before on properties taxes in both years. A comparison of the no-new-revenue tax rate to the taxing unit's proposed tax rate shows if there will be a tax increase.



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Nonspendable Fund Balance: The portion of fund balance that is in non-liquid form, including inventories, prepaid items, deferred expenditures, long-term receivables and encumbrances (if significant). Nonspendable fund balance may also be in the form of an endowment fund balance that is required to remain intact.

Object: An object is the highest level of accounting classification used to identify either the transaction posted or the source to which the associated monies are related. Each object is assigned a code that identifies in which of the following eight major object groupings it belongs:

- 1000 Assets
- 2000 Liabilities
- 3000 Fund Balances
- 5000 Revenue
- 6000 Expenditures/Expenses
- 7000 Other Resources/Non-Operating Revenue/Residual Equity Transfers In
- 8000 Other Uses/Non-Operating Revenue/Residual Equity Transfers Out

Operating Expenditures: A wide variety of expenditures necessary to a district's operations fall into this category with the largest portion going to payroll and related employee benefits and the purchase of goods and services.

Operating Expenditures/Student: Total Operating Expenditures divided by the total number of enrolled students.

Operating Revenues and Expenses: Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of operating

activities for cash flows reporting in establishing their own definition.

Other Local & Intermediate Revenues: All local and intermediate revenues NOT from local real and personal property taxes including:

- Revenues Realized as a Result of Services Rendered to Other School Districts
- Tuition and Fees
- Rental payments, interest, investment income
- Sale of food and revenues from athletic and extra/co-curricular activities
- Revenues from counties, municipalities, utility districts, etc.

Other Operating Costs: Expenditures necessary for the operation of the school district that are NOT covered by Payroll Costs, Professional and Contracted Services, Supplies and Materials, Debt Services, and Capital Outlay fall into this category and include travel, insurance and bonding costs, election costs, and depreciation. This amount is recorded as Expenditure/Expense Object 6400.

Other Resources: This amount is credited to total actual other resources or non-operating revenues received or residual equity transfers in. This amount is recorded under Object 7020.

Payments for Shared Services Arrangements: Payments made either from a member district to a fiscal agent or payments from a fiscal agent to a member district as part of a Shared Services Arrangement (SSA). The most common types of SSAs relate to special education services, adult education services, and activities funded by the Elementary and Secondary Education Act (ESEA). Expenditures associated with this functional area are reported under Function 93.



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Payroll: Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school district. This amount is recorded as Expenditure/Expense Object 6100. *(NOTE: Payroll amounts do not include salaries for contract workers, e.g., for food service and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)*

PEIMS: A state-wide data management system for public education information in the State of Texas. One of the basic goals of PEIMS, as adopted by the State Board of Education in 1986, is to improve education practices of local school districts. PEIMS is a major improvement over previous information sources gathered from aggregated data available on paper reports. School districts submit their data via standardized computer files. These are defined in a yearly publication, the PEIMS Data Standards.

Plant Maintenance & Operations: The amount spent on the maintenance and operation of the physical plant and grounds and for warehousing and receiving services. Expenditures associated with this functional area are reported under Function 51.

Property /Refined ADA: The district's Comptroller Certified Property Value divided by its total Refined ADA.

Property/WADA: The district's Comptroller Certified Property Value divided by its total WADA.

Refined ADA: Refined Average Daily Attendance (also called RADA) is based on the number of days of instruction in the school year. The aggregate eligible days attendance is divided by the number of days of instruction to compute the refined average daily attendance.

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

Revenues: Any increase in a school district's financial resources from property taxes, foundation fund entitlements, user charges, grants, and other sources. Revenues fall into the three broad sources of revenues: Local & Intermediate, State and Federal.

Robin Hood Funds: See Wealth Equalization Transfer.

School Year: The twelve months beginning September 1 of one year and ending August 31 of the following year or beginning July 1 and ending June 30. Districts now have two options.

Special Revenue Fund: A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

State Revenues: Revenues realized from the Texas Education Agency, other state agencies, shared services arrangements, or allocated on the basis of state laws relating to the Foundation School Program Act. This amount is recorded as Revenue Object 5800.

Unassigned Fund Balances: Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., committed or assigned). One primary criterion of rating agencies for school bonds is the relative amount of unassigned fund balance. Bond rating agencies view unassigned fund balances as a reflection of the financial strength of school districts and show concern when district fund balances decrease.