



## **ALEDO ISD BOARD MEETING TEMPLATE**

**MEETING DATE:** December 12, 2022

**AGENDA ITEM:** School FIRST (Financial Integrity Rating System of Texas) Rating Report

**PRESENTER:** Earl Husfeld, Chief Financial Officer

### **BACKGROUND INFORMATION:**

- Senate Bill 218 of the 77<sup>th</sup> Legislature (2001) directed the Commissioner of Education, in consultation with the Comptroller of Public Accounts, to develop and implement a financial accountability rating system for school districts in Texas. This financial accountability rating system is officially referred to as School FIRST (Financial Integrity Rating System of Texas).
- 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.
- School FIRST holds school districts accountable for the quality of their financial management practices. The rating system also discloses the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools.
- The 2021-2022 School FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being A - Superior Achievement, followed by B - Above Standard Achievement, C – Meets Standard Achievement, and F - Substandard Achievement.
- The 2021-2022 School FIRST rating is based on an analysis of staff and student data reported for the 2020-2021 school year and audited budgetary and actual financial data for the 2021 fiscal year ending August 31, 2021.
- After receiving official notification of the District's School FIRST rating from TEA, each school district is required to announce and hold a public meeting to explain the District's rating and the District's performance under each of the twenty (20) indicators. The following pages provide this information for the Aledo ISD. Also included is a detailed explanation of the twenty (20) indicators.
- During this public meeting, the District is also required to review certain disclosures that must be included in the financial management report. The required disclosures pertain to reimbursements to the Superintendent and Board of Trustees for the 2020-2021 fiscal year and the Superintendent's employment contract at the time of the School FIRST hearing. These required disclosures are included in the following pages and on the District's website.



## **ALEDO ISD BOARD MEETING TEMPLATE**

- The Aledo ISD received the highest School FIRST rating of A - Superior Achievement for 2021-2022.
- The District has received the highest rating for the prior nineteen years as well.
- For 2021-2022, the District received a score of 96. A score of 70 must be received to pass, with a score of 100 being the maximum that may be obtained.
- An explanation on How Ratings are Assessed and a Glossary are included in the following pages.

### **FISCAL INFORMATION:**

None

### **ATTACHMENTS:**

2021-2022 School FIRST Rating Report for Aledo ISD

### **ADMINISTRATIVE RECOMMENDATION:**

None – Public Meeting/Informational Report



Financial Integrity Rating System of Texas

**2021-2022 RATINGS BASED ON SCHOOL YEAR 2020-2021 DATA - DISTRICT STATUS DETAIL**

<b>Name:</b> <b>ALEDO ISD(184907)</b>	<b>Publication Level 1:</b> 8/2/2022 2:05:39 PM
<b>Status:</b> <b>Passed</b>	<b>Publication Level 2:</b> 8/4/2022 12:15:48 PM
<b>Rating:</b> A = Superior Achievement	<b>Last Updated:</b> 8/4/2022 12:15:48 PM
<b>District Score:</b> 96	<b>Passing Score:</b> 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>	7/12/2022 8:44:33 AM	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>	5/16/2022 12:38:37 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>	5/16/2022 12:38:37 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>	5/16/2022 12:38:37 PM	Yes Ceiling Passed
5	This indicator is not being scored.		
			1 Multiplier Sum
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>	5/17/2022 9:55:48 AM	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>	5/16/2022 12:38:39 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>	5/16/2022 12:38:39 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>	5/16/2022 12:38:40 PM	10
10	This indicator is not being scored.		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, then the school district automatically passes this indicator. See ranges below in the Determination of Points section.</u>	5/16/2022 12:38:42 PM	10
12	<u>Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? See ranges below in the Determination of Points section.</u>	5/16/2022 12:38:42 PM	6
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>	6/9/2022 11:20:18 AM	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>	5/16/2022 12:38:43 PM	10
15	This indicator is not being scored.		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>	5/16/2022 12:38:44 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? (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>	5/16/2022 12:38:45 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>	5/16/2022 12:38:46 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>	5/16/2022 12:38:46 PM	5
20	<u>Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	5/16/2022 12:38:50 PM	Ceiling Passed
			96 Weighted Sum
			1 Multiplier Sum
			(100 Ceiling)
			96 Score

## DETERMINATION OF RATING

<b>A.</b>	Did the school district fail any of the critical indicators 1, 2, 3, or 4? If so, the school district's rating is <b>F for Substandard Achievement</b> regardless of points earned.	
<b>B.</b>	Determine the rating by the applicable number of points.	
	<b>A = Superior Achievement</b>	90-100
	<b>B = Above Standard Achievement</b>	80-89
	<b>C = Meets Standard Achievement</b>	70-79
	<b>F = Substandard Achievement</b>	<70

**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.**

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.

## CEILING INDICATORS

Did the school district meet the criteria for any of the following **ceiling indicators** 4, 6, 16, 17, or 20? 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
<b>Indicator 4</b> (Timely Payments) - School district was issued a warrant hold.	95	A = Superior Achievement
<b>Indicator 6</b> (Average Change in Fund Balance) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
<b>Indicator 16</b> (PEIMS to AFR) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
<b>Indicator 17</b> (Material Weaknesses) - Response to indicator is <i>No</i> .	79	C = Meets Standard Achievement
<b>Indicator 20</b> (Property Values and Tax Discussion) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement

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FIRST 5.14.2.1



Financial Integrity Rating System of Texas

**2020-2021 RATINGS BASED ON SCHOOL YEAR 2019-2020 DATA - DISTRICT STATUS  
 DETAIL**

<b>Name:</b> ALEDO ISD(184907)	<b>Publication Level 1:</b> 8/4/2021 2:00:38 PM
<b>Status:</b> Passed	<b>Publication Level 2:</b> 8/6/2021 11:10:55 AM
<b>Rating:</b> A = Superior Achievement	<b>Last Updated:</b> 8/6/2021 11:10:55 AM
<b>District Score:</b> 96	<b>Passing Score:</b> 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>	6/8/2021 4:07:42 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>	6/8/2021 4:07:42 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>	6/8/2021 4:07:42 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>	7/1/2021 9:12:30 AM	Yes  Ceiling Passed
5	This indicator is not being scored.		
			1 Multiplier Sum
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>	6/28/2021 11:15:55 AM	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>	6/8/2021 4:07:43 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>	6/8/2021 4:07:43 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>	6/8/2021 4:07:43 PM	10
10	<u>Did the school district average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?</u>	7/2/2021 1:56:52 PM	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, then the school district automatically passes this indicator. See ranges below in the Determination of Points section.</u>	6/8/2021 4:07:44 PM	10
12	<u>Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? See ranges below in the Determination of Points section.</u>	6/8/2021 4:07:44 PM	6
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15	<u>Was the school district's ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections? See ranges below in the Determination of Points section.</u>	6/8/2021 4:07:45 PM	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>	6/8/2021 4:07:45 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? (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>	6/8/2021 4:07:45 PM	Ceiling Passed
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20	<u>Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	6/8/2021 4:07:46 PM	Ceiling Passed
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## DETERMINATION OF RATING

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<p><b>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.</b></p> <p>The school district receives an <b>F</b> 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

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<b>Indicator 20</b> (Property Values and Tax Discussion) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement

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FIRST 5.11.6.0



## School FIRST Annual Financial Management Report

ALEDO INDEPENDENT SCHOOL DISTRICT

Reporting requirements for the financial management report for the School FIRST public hearing are found in Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, Section 109.1001(q), effective 08/01/2018. This rule describes requirements for the five (5) disclosures explained below that are to be presented as appendices in the School FIRST Financial Management Report.

### Superintendent's Current Employment Contract

A copy of the Superintendent's current employment contract at the time of the School FIRST hearing is to be provided. In lieu of publication in the annual School FIRST Financial Management Report, the school district may choose to publish the Superintendent's employment contract on the school district's Internet site. If published on the Internet, the contract is to remain accessible for twelve months.

The Superintendent's contract is located on the District's Internet site: <http://www.aledoisd.org>

### Reimbursements Received by the Superintendent and Board Members

For the Twelve-Month Period  
Ended August 31, 2021

Description of Reimbursements	Superintendent		2020-2021 Board Members					
	Susan Bohn	David Lear	Jennifer Loftin	Jessica Brown	Forrest Collins	Jennifer Taylor	Julie Turner	Hoyt Harris
Meals	\$ 29.72	\$ 29.71	\$ 29.71	\$ -	\$ 29.71	\$ 29.71	\$ -	\$ 29.71
Lodging	1,272.35	343.93	456.20	115.83	348.82	456.20	-	456.20
Transportation	1,712.31	8.17	78.81	-	8.17	8.17	-	26.17
Motor Fuel	-	-	-	-	-	-	-	-
Other	2,295.54	1,050.31	1,595.33	1,894.33	1,595.33	1,595.33	1,485.33	1,435.33
Totals	\$ 5,309.92	\$ 1,432.12	\$ 2,160.05	\$ 2,010.16	\$ 1,982.03	\$ 2,089.41	\$ 1,485.33	\$ 1,947.41

Note - The spirit of the rule is to capture all "reimbursements" of expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. Reimbursements to be reported per category include:  
 Meals – Meals consumed off of the school district's premises, and in-district meals at area restaurants (outside of board meetings, excludes catered meals for board meetings).  
 Lodging - Hotel charges.  
 Transportation - Airfare, car rental (may include fuel on rental), taxi, mileage reimbursement, leased car, 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.

# School FIRST Annual Financial Management Report

ALEDO INDEPENDENT SCHOOL DISTRICT

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

For the Twelve-Month Period  
Ended August 31, 2021

<u>Name(s) of Entity(ies)</u>	<u>Amount Received</u>
None	\$ -
Total	\$ -

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.

## Gifts Received by the Executive Officer(s) 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)

For the Twelve-Month Period  
Ended August 31, 2021

<u>Superintendent</u>	<u>2020-2021 Board Members</u>								
Susan Bohn	David Lear	Jennifer Loftin	Jessica Brown	Forrest Collins	Jennifer Taylor	Julie Turner	Hoyt Harris		
Summary Amounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note - An executive officer is defined as the Superintendent, unless the Board of Trustees or the District Administration names additional staff under this classification. (Any gifts received by their immediate family as described in Government Code, Chapter 573, Subchapter B, Relationships by Consanguinity or by Affinity will be reported under the applicable school official.)

## Business Transactions Between School District and Board Members

For the Twelve-Month Period  
Ended August 31, 2021

	<u>2020-2021 Board Members</u>								
	David Lear	Jennifer Loftin	Jessica Brown	Forrest Collins	Jennifer Taylor	Julie Turner	Hoyt Harris		
Summary Amounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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.



## How Ratings are Assessed

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### Rating Worksheet

Preliminary ratings are released by Texas Education Agency every calendar year during the summer. The Commissioner's Rules for School FIRST are contained in Title 19, Texas Administrative Code, Chapter 109, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System.

The questions an LEA must address in completing the worksheet used to assess its financial management system can be confusing to non-accountants. The following is a layman's explanation of what the questions mean—and what your school's answers can mean to its rating.

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

A simple indicator. Was your Annual Financial Report filed by the deadline?

**2. Review the AFR for an unmodified opinion.**

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.)?

**3. Was the charter school in compliance with the payment**

**terms of all debt agreements at fiscal year end? (If the school was in default in a prior fiscal year, an exemption applies in following years if the 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.)**

This indicator seeks to make certain that your LEA has timely paid all bills/obligations, including financing arrangements to pay for school construction, school buses, photocopiers, etc.

**4. 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?**

This indicator seeks to make sure the school 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 school.



## How Ratings are Assessed

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**5. Was the total Net Asset balance in the Statement of Net Positions greater than zero? (If the school's change of students in membership over 5 years was 7 percent or more, then the school passes this indicator.)**

This indicator simply asks, "Did the total assets exceed the total amount of liabilities (according to the very first financial statement in the annual audit report)?" Fortunately, this indicator recognizes that high-growth schools incur larger amounts of debt to fund construction, and that total debt may exceed the total amount of assets under certain scenarios.

**6. Was the average change in total net assets over 3 years less than a 25% decrease or did the current year assigned and unassigned fund balance exceed 75 days of operational expenditures? (If the school fails indicator 6, the maximum points and highest rating that the school may receive is 89 points, B = Above Standard Achievement.)?**

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 remains to operate for at least 75 days.?

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

This indicator measures how long in days after the end of the fiscal year the school could have disbursed funds for its operating expenditures without receiving any new revenues. Did you meet or exceed the target amount in School FIRST?

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

This indicator measures whether the school had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. Did you meet or exceed the target amount in School FIRST?

**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.?**

This indicator simply asks, "Did you spend more than you earned?" (the school will automatically pass this indicator, if the school had at least 40 days cash on hand.)

**10. Did the school average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?**

*This indicator is currently not being scored due to the impact of COVID-19 and federal ESSER funding on charter school revenue.*

**11. Was the ratio of long-term liabilities to total assets for the**



## How Ratings are Assessed

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**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 school passes this indicator.)**

This question is like asking someone if their mortgage exceeds the market value of their home. Were you below the cap for this ratio in FIRST? Fortunately, this indicator recognizes that high-growth schools incur additional operating costs to open new instructional campuses.

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

This indicator asks about the school's ability to make debt principal and interest payments. Did you meet or exceed the target amount in School FIRST?

**13. Did the charter school have a debt-to-capitalization percentage that was reasonable for the charter school to continue operating?**

This indicator measures whether the school's total net assets were sufficient to cover long term liabilities.

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

This indicator measures the percentage of their budget that Texas charter schools spent on administration. Did you exceed the cap in School FIRST for schools of your size?

**15. Did the 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 school will automatically pass this indicator.)**

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

**16. Was the school's ADA within 10% of the school's biennial pupil projection(s) submitted to TEA? If the school did not submit pupil projections to TEA, did it certify TEA's projections? See ranges below in the Determination of Points section.**

*This indicator is currently not being scored due to the impact of COVID-19 on attendance.*

**17. 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 expenditures by function?**

This indicator measures the quality of data reported to PEIMS and in your Annual Financial Report to make certain that the data reported in each case "matches up." If the difference in numbers reported in any fund type is 3 percent or more, your school "fails" this measure. If the school fails this indicator, the maximum points and



## *How Ratings are Assessed*

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highest rating the school may receive is 89 points and a B, which is equal to above standard achievement.

**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.)**

A clean audit of your Annual Financial Report would state that your LEA has no material weaknesses in internal controls. Any internal weaknesses create a risk of your LEA not being able to properly account for its use of public funds and should be immediately addressed. If the LEA fails this indicator, the maximum points and highest rating the school may receive is 89 points and a B, which is equal to above standard achievement.

**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.)**

This indicator measures whether the school is complying with laws, rules and regulations related to the expenditure of grant funds, contracts, and other state and federal funds.

**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 statutes, laws and rules that were in effect at fiscal year end?**

This indicator measures whether the school is complying with legal requirements related to financial transparency by posting all required information.



## GLOSSARY

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**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
- 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 schools 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 if the fiscal year begins on September 1. (For those with fiscal years beginning July 1, this date would be June 20.) The legal requirements for funds to be budgeted are included in the Budgeting module of the TEA Resource Guide. The budget must be adopted before expenditures can be made, and this adoption must be prior to the setting of the tax rate for the budget year. The budget must be itemized in detail according to classification and purpose of expenditure, and must be prepared according to the rules and regulations established by the state board of education. The adopted budget, as necessarily amended, shall be filed with TEA through the Public Education Information Management System (PEIMS) as of the date prescribed by TEA.

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



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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.

**Days of Cash on Hand:** The number of days the school 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.

**Deferred Revenue:** Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

**Effective Tax Rate:** Provides the unit with approximately the same amount of revenue it

had the year before on properties taxes in both years. A comparison of the effective tax rate to the taxing unit's proposed tax rate shows if there will be a tax increase.

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

**Federal Revenues:** Revenues paid either directly to the school 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, 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





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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
- 90 Intergovernmental Charges

**Net Assets:** The difference between assets and liabilities.

**General Administration:** The amount spent on managing or governing the LEA 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 LEA 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. Expenditures associated with this functional area are reported under Function 11.

**Intergovernmental Charges:**

"Intergovernmental" is a classification used when one governmental unit transfers resources to another. 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 Position 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.

**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 LEA's financial statements present fairly the financial information contained therein according to generally accepted accounting principles.

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

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

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

**Operating Expenditures:** A wide variety of expenditures necessary to an LEA's operations fall into this category with the largest portion



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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 Position. 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 LEAs
- 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 LEA that are NOT covered by Payroll Costs, Professional and Contracted Services, Supplies and Materials, Debt Services, and Capital Outlay fall into this category and include travel, Insurance and bonding costs, election costs, and depreciation. This amount is recorded as Expenditure/Expense Object 6400.

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

### Payments for Shared Services

**Arrangements:** Payments made either from a member district to a fiscal agent or payments from a fiscal agent to a member district as part of a Shared Services Arrangement (SSA). The most common types of SSAs relate to special education services, adult education services,

and activities funded by the Elementary and Secondary Education Act (ESEA). Expenditures associated with this functional area are reported under Function 93.

**Payroll:** Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school. 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 LEAs and campuses that use contract workers and those that do not.)*

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

**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 Net Assets:** This is the portion of fund balance that has externally enforceable constraints made by outside parties.

**Revenues:** Any increase in an LEA's financial resources from property taxes, foundation fund entitlements, user charges, grants, and other



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sources. Revenues fall into the three broad sources of revenues: Local & Intermediate; State; and Federal.

**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. LEAs 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.

**Unrestricted Net Assets:** Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., committed or assigned).

**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 LEA's financial statements present fairly the financial information contained according to generally accepted accounting principles.

**Unrestricted Net Position Balance:** The term Net Position refers to the amount of total assets less total liabilities. Unrestricted Net Position balance refers to the portion of total Net Position that is neither invested in capital assets nor restricted.

**WADA:** A Weighted Average Daily Attendance (WADA) is used to measure the extent students are participating in special programs. The concept of WADA in effect converts all of a school'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 WADA will be.

### DISCLAIMER

**All of the information provided is believed to be accurate and reliable; however, TASBO and TSPRA assume no responsibility for any errors, appearing in this information or otherwise. Further, TASBO and TSPRA assume no responsibility for the use of the information provided.**