

SSAISD BOARD AGENDA - ITEM SUMMARY

MEETING DATE:	November 20, 2013
MEETING TYPE:	<input checked="" type="checkbox"/> REGULAR <input type="checkbox"/> SPECIAL
ITEM TITLE:	TASBO Management Review
PURPOSE:	<input type="checkbox"/> RECOGNITION <input checked="" type="checkbox"/> REPORT ONLY <input type="checkbox"/> DISCUSSION <input type="checkbox"/> ACTION
PRESENTER(S):	Mrs. Mourette Hodge
REQUESTED BY:	

I. DESCRIPTION OF ITEM TO INCLUDE YOUR SPECIFIC REQUEST:

Engaged management study requested by Superintendent and performed by the Texas Association of School Business Officials.

II. BACKGROUND INFORMATION (DOCUMENTATION):

III. ALTERNATIVES CONSIDERED (IF APPLICABLE):

IV. RECOMMENDATION AND IMPACT:

V. DISTRICT GOAL AND CORRESPONDING DEPARTMENTAL INITIATIVE:

VI. FUNDING SOURCE-PROGRAM AND/OR BUDGET CODE:

SOUTH SAN ANTONIO ISD
Management Review
August 2013



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Management Review Team Members

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Project Director

Rebecca Estrada, RTSBA
Executive Director of Finance
Lackland ISD
2460 Kenly Ave., Bldg. #8265
San Antonio, TX 78236
Estrada.r@lacklandisd.net

Team Members

Fom Canby
Director of Research and Technology
Texas Association of School Business Officials
2538 S. Congress Ave.
Austin, TX 78704
(512) 462-1711 Ext 235
fcanby@tasbo.org

Bob Hart
Research Coordinator
Texas Association of School Business Officials
2538 S. Congress Ave.
Austin, TX 78704
(512) 462-1711 Ext 234
bhart@tasbo.org

Transmittal Letter



August 20, 2013

Ms. Mourette Hodge
Interim Superintendent of Schools
South San Antonio I. S. D.
5622 Ray Ellison Drive
San Antonio, TX 78242

Dear Ms. Hodge:

At your request a management team was organized through the Texas Association of School Business Officials (TASBO) for the purpose of conducting a review of the business and financial functions as they relate to:

- Strengths and weaknesses of the Business and Finance Department, including staffing levels, accounting, accounts payable, payroll, financial management, processes and procedures, purchasing and budgeting.
- Recommendations for improvement in current practices, functional roles and responsibilities, work flow processing and internal controls, if needed.
- Recommendations to improve the efficiency and effectiveness of the operations that support the education mission of the district.

The visiting committee included selected personnel with extensive experience in school districts and the Texas Education Agency. The criteria utilized for selecting these evaluators included their expertise and their professional reputation in the areas they were asked to review. The names of these team members and the organizations they represent are listed in this report.

We have completed our on-site review of the areas named above. This letter states the objectives of the evaluation, the tasks that were accomplished, summarizes our findings in regard to the strengths and weaknesses of the departments reviewed, and provides the recommendations we perceived to be appropriate for consideration by you and your staff. The recommendations provided in this report will provide improvement in the areas of business and finance and should be reviewed and prioritized by the District for implementation. Although TASBO is not a regulatory authority that can require the implementation of these recommendations, the District should give serious consideration

to each recommendation provided and make a determination regarding the time-frame for implementation.

A more detailed report provided by the evaluators is included in a separate section of this report.

Scope

The objective of this evaluation is to provide the Interim Superintendent, Board of Trustees, and staff members with an objective analysis of the Business and Finance Department in the South San Antonio Independent School District.

Tasks Accomplished

After reviewing the Business and Finance Department's self-evaluation, the following tasks were accomplished by the evaluation team in order to achieve the objectives of the evaluation.

- Studied relevant written material pertaining to the district.
- Interviewed selected personnel in the school district.
- Reviewed staffing levels in the department.
- Reviewed the organizational structure, including the efficiency of the organizational structure.
- Reviewed purchasing procedures and guidelines.
- Solicited feedback from external users [Principals and Directors].
- Analyzed the automation of activities.
- Reviewed the roles and responsibilities of staff members, as reflected by job descriptions.
- Reviewed procedures of the business and financial operations with emphasis on cost savings and operational efficiency.
- Reviewed other items as determined by the review of information furnished as part of the review process.
- Prepared this report summarizing our commendations, findings, and recommendations for your review.

Commendations

- The Child Nutrition Program has strong financial management systems. The program director is determined to remain wholly self-sustaining from program revenues, thereby avoiding the need for any subsidies from the General Fund.
- Employees in the Business and Finance Department have developed draft financial management manuals, including:
 - Campus and Student Activity Funds Manual (currently being revised)
 - Budget Manual
 - Fiscal Manual

- Compensation and Benefits Handbook
- Federal Program Procedures and Assurances Manual
- Purchasing and Warehouse Guidelines
- The District's employees are dedicated and demonstrated a can-do attitude.

Findings

The management review team disclosed findings relating to overall financial management, including staffing levels, organization structure, economies and efficiencies, procedures and guidelines, automation of activities, job descriptions, workflow and procedures, and processes. Some of the more significant findings and recommendations in these areas are summarized below. The detailed report that follows this executive summary provides more information concerning the management teams overall findings and recommendations.

Staffing Levels

- **Finding.** The ratio of total student to staff at the District is lower than the peer school districts. The total students per staff ratios for South San Antonio ISD, Harlandale ISD, and Southwest ISD are 578:1, 689:1, and 868:1, respectively.
Recommendation. The District should evaluate the job descriptions of all exempt and non-exempt staff to redefine the areas of responsibility. Implementation of some recommendations contained in this report related to automation of processes may assist the District to determine the appropriate staffing levels and position titles.
- **Finding.** Staffing needs may change if redundancy of duties and manual processes are eliminated. Certain processes in the Business and Finance Department could be streamlined and improved to reduce the time on task, as explained in other findings.
Recommendation. Process improvements should be implemented, to the greatest extent practical, prior to an assessment of current staffing needs. Prior to filling certain vacant positions, supplemental staff resources may be contracted for on a project basis to provide coverage for essential functions in the Business and Finance Department, in addition to advising the District on opportunities for process improvement and staffing needs.
- **Finding.** Certain substantial roles and responsibilities have been temporarily reassigned to existing staff. There is a need for administration and the Board of Trustees to work cooperatively to fill vacant positions in the Business and Finance Department so staff will not always be reacting to situations, but rather be proactive in making improvements.
Recommendation. The District's Board of Trustees should work cooperatively with the Business and Finance Department in filling needed vacant positions in the Department.

Organizational Structure

- **Finding.** IT department staff reported that roles and responsibilities in the District's organization related to security access controls in the financial information system iTCCS (iTCCS is supported by the Texas Computer Cooperative headquartered in the Region 20 ESC) are primarily assigned to the Business and Finance Department staff. **Recommendation.** Roles and responsibilities in the District's organization related to security access controls in the financial information system iTCCS, including control over assigning access to District staff to view, post or adjust transactions in one or more modules or functional areas, should be collaboratively controlled by management level staff in the IT and Business and Finance Departments.
- **Finding.** Some of the non-exempt staff has a limited number of years experience in their current position. **Recommendation.** It is recommended that a training plan be developed for every Business and Finance Department non-exempt staff member that has been in their position for one year or less.

Economies & Efficiencies

- **Finding.** District staff, including program directors and other stakeholders with budget and compliance management roles and responsibilities, reported that they did not have sufficient access to various reports and financial transactions in the financial information system to monitor and help ensure compliance with policies, law, rules and regulations, in addition to the effective use of financial and nonfinancial resources. Information provided by the Executive Director of Business & Finance indicated that access to financial information for principals and directors was to be limited under a previous administration by excluding access to payroll information. The iTCCS program only allows filtering by either one fund or one organization for the user and does not allow filtering by function or object (which includes payroll) codes. As a result, the principals and directors do not have access to the financial inquiry screen and are limited in their ability to monitor finances. This practice has continued the past two fiscal years since the departure of that superintendent. **Recommendation.** Program directors and other selected stakeholders should be provided sufficient levels of access to details (read-only where appropriate) in the financial information system to empower these employees to successfully accomplish their assigned roles and responsibilities related to compliance and effective use of financial and nonfinancial resources. The current administration should work with Region 20 to determine the feasibility of programming iTCCS to allow more flexibility in filtering data available to users. If this is cost prohibitive, then reconsider the current practice and allow key employees access to financial data so budgets can be monitored on a real time basis.
- **Finding.** Certain District staff reported they had not received training on various financial management topics. It appeared this issue primarily involved staff that were hired late in the year or that experienced changes in assigned roles and responsibilities.

Recommendation. A staff development plan and a year-round training calendar should be developed to ensure delivery of training on various financial management topics to all appropriate staff, including late hires. The District should supplement face-to-face training with recordings that may be viewed when needed by new and existing staff.

- **Finding.** Certain District staff reported that vendors were paid late in some instances. School districts incur automatic financial penalties that are to be included in late payments to vendors, when payment is made later than 30 days after receipt of a correct invoice. It was also reported that certain vendors are hesitant to do business with the District due to late payment issues.

Recommendation. The District should more closely monitor the timely payment of accounts payables to ensure all vendors are paid timely and, where applicable that payment terms are met for discounts on invoiced amounts.

Procedures & Guidelines

- **Finding.** Written procedures and handbooks for most financial operations were not available to the staff at the time of our visit. Although some drafts have been developed by the Business & Finance Department, the documents have not been subjected to stakeholder review, which should precede the superintendent's approval.

Recommendation. The District's draft financial management procedures manuals and handbooks should be reviewed by all relevant stakeholders to ensure the procedures reflect actual practices and procedures and to provide an opportunity for stakeholder to provide suggestions for various improvements.

- **Finding.** The District has not been filing sales tax reports with the Texas Comptroller of Public Accounts. Business and Finance Department staff should review sales tax requirements and establish procedures for the filing of sales tax on a monthly basis with the Texas Comptroller of Public Accounts.

Recommendation. The District should take immediate action to file current and past due sales tax reports with the Texas Comptroller of Public Accounts.

Automation of Activities

- **Finding.** Employee leave processing is a labor-intensive, manual process that includes three (3) tiers of redundancy: index cards, spreadsheets and iTCCS. A paper leave of absence form is posted to all three of these systems.

Recommendation. The Districts should redesign and automate the employee leave accounting and reporting system.

- **Finding.** District Business and Finance Department staff, in some instances, is not following best practices in financial management, including currently available functionality in the financial information system, iTCCS, in addition to other opportunities mentioned in this report to employ automated processes.

Recommendation. Staff should be provided mentors or coaches for up to a twelve- or eighteen-month period to provide guidance and advice concerning best practices in financial management, where needed. Staff should also participate in field visits in districts that are recognized for following best practices in financial management.

Job Descriptions

- **Finding.** There are several vacant positions within the Business and Finance Department. After all major vacancies are filled, the Human Resources Department should work with all departments and campuses to make sure that current job descriptions are aligned with current responsibilities. Some staff members have not seen the job descriptions for their current positions and it is not clear as to whether or not these job descriptions reflect the duties of the staff.
Recommendation. The District should implement a plan to review and realign assigned roles and responsibilities in job descriptions. Job descriptions should be updated and signed for all employees at the beginning of each school year.

Work Flow and Procedures

- **Finding.** The 2012-13 budget was not made available to campuses and departments at the beginning of the new fiscal year. The budget was loaded into the finance system and the requisition system was available by September 5th; however, the Executive Director for Finance did not make the system available to staff for several weeks after that date.
Recommendation. As early as possible in the new fiscal year (preferably no later than two or three business days after the start of the fiscal year), the Business and Finance Department should ensure that all campuses and departments have access to their operational budgets (aligned with the legal budget for the General Fund, Child Nutrition Fund and Debt Service Fund adopted by the board of trustees).
- **Finding.** The accounts payable process results in delayed payments to vendors due to several factors including, but not limited to, “short pay” process, confirming PO process, and number of budget transfers that are “after-the-fact” when expenses are not encumbered.
Recommendation. The District should redesign the workflow and procedures to implement a more effective and efficient system for processing purchase orders and purchase requisitions, and for controlling disbursements of local, state and federal resources.
- **Finding.** POs may be stalled for various reasons but managers and directors are not informed promptly. It also appears POs are held up in the approval chain that should be expeditiously processed with subsequent remediation of any minor issues, in order to ensure the prompt delivery of needed educational-related resources. The Executive Director of Business & Finance indicated that the iTCCS system automatically generates an email communication to the requestor when a purchase order is not approved.
Recommendation. The District’s system for providing access to information related to the approval status of POs should be improved to ensure timely purchases and delivery of resources to maximize the District’s opportunities for success in meeting goals and objectives for academic and operational performance. Training should be provided to users and administrators of the purchase order system to familiarize the requestors of purchase orders of the email notification process and to provide

authorizing administrators with guidelines and time-frames for review and approval of purchase orders.

Processes

- **Finding.** The Business and Finance Department provides budgetary authorization to campuses for only function expenditure codes 11 and 23 on elementary campuses and 11, 23 and 36 on middle school and high school campuses, and only Program Intent Code 11 for function 11. The budget process neither appears to be site-based nor designed to empower campus staff that have (should have) primary responsibility over resources that are applied to the accomplishment of academic outcomes in district and campus improvement plans.
Recommendation. Campuses, not central administration, should be empowered with maximum level of control over campus budgets. Also, the campuses should develop a site-based process by including staff input and campus advisory committee for input in developing the budget.
- **Finding.** For several fiscal years, the Business and Finance Department has not prepared and presented monthly financial reports, including the General Fund, for board and superintendent review. Limited financial reporting, primarily for construction project funds and debt service funds, has been the practice in the District for several years. The Executive Director of Business & Finance indicated that financial reports for the Board of Trustees were limited under a previous administration. The practice of limiting financial reports has continued the past two fiscal years since the departure of that superintendent. The lack of sufficient financial reporting practices does not serve to promote improvements to processes to achieve increased efficiencies and effectiveness in overall District administration and management.
Recommendation. Concise and informative monthly financial reports, including the General Fund, should be prepared for the board of trustees and the superintendent.
- **Finding.** One administrator reported that IT assets have not been adequately inventoried. The contributing factors also contribute to the inability to push software updates to all of the network connected computers, resulting in increased operational costs to manually install software updates to individual computers.
Recommendation. The District should invest in the necessary systems to modernize the IT infrastructure to facilitate the IT Department's ability to follow current state-of-the-art processes for administering and managing the IT infrastructure and network-connected computers.
- **Finding.** It was reported that drawdowns of certain grant funds are made by the Business and Finance Department without adequate involvement of the other stakeholders, including program managers. The policies, law, rules and regulations related to allowable program costs and grant administration are exceedingly complex.
Recommendation. The District should implement processes to empower stakeholder and program manager administration of assigned roles and responsibilities related to the drawdown of grant funds for eligible or allowable program costs.

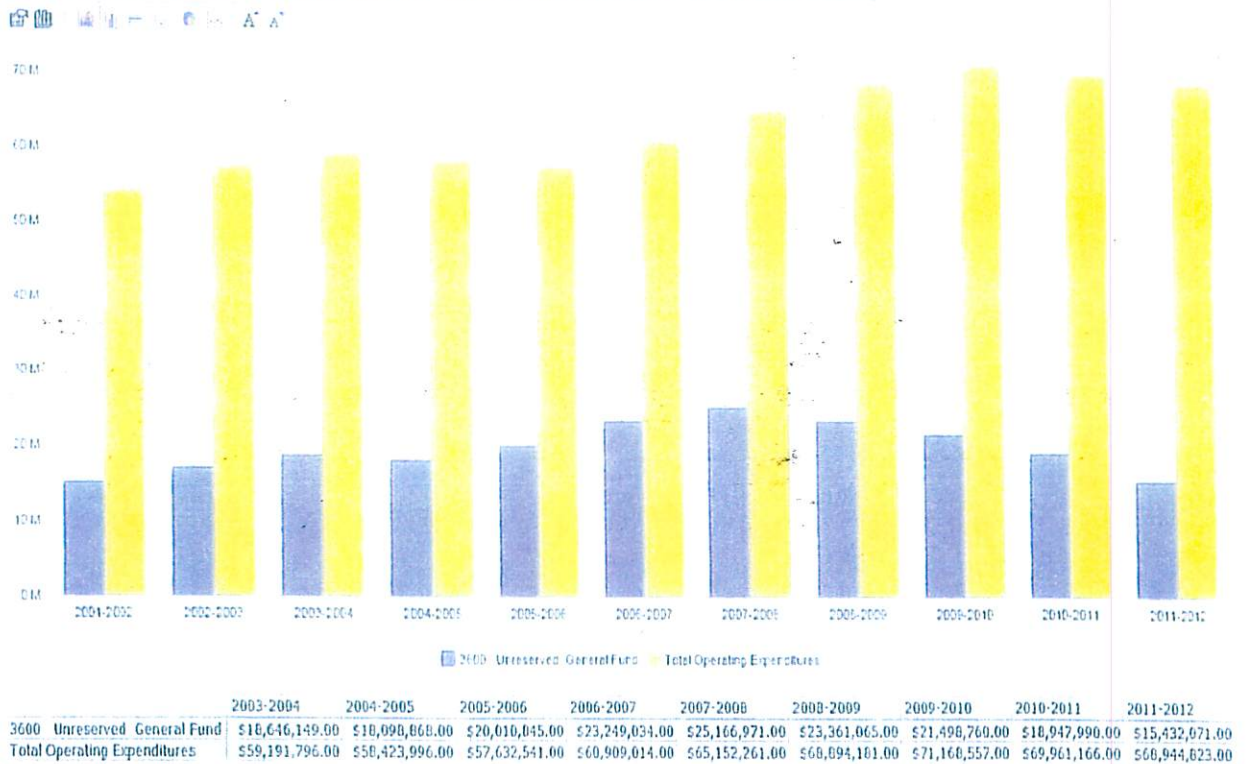
The district selected two peer school districts for comparison purposes. The district names and enrollment in 2012-2013 are noted below:

School District	2012-13
South San Antonio ISD	9,842
Harlandale ISD	15,158
Southwest ISD	13,022

Source: TASBO eFACTS+

The District's unreserved fund balance in the General Fund declined each fiscal year from fiscal year 2008 to 2012. However, operating expenditures in the General Fund (Fund Code 199) were over \$3 million greater in fiscal year 2012 compared to fiscal year 2008. This pattern indicates that the District used fund balance to fund operating expenditures from fiscal year 2008 through 2012.

3600 Unreserved General Fund, Total Operating Expenditures for SOUTH SAN ANTONIO ISD (015908), 199 GENERAL FUND, 2011-2012 (Year)



Source: TASBO eFACTS+

The following table shows trends for operating expenditures in the General Fund (fund code 199) for South San Antonio ISD compared to Harlandale ISD and Southwest ISD. Of the three school districts, South San Antonio ISD was the highest spending in fiscal years 2009 through 2012.

	2008-2009	2009-2010	2010-2011	2011-2012
HARLANDALE ISD	\$6,759.21	\$6,500.57	\$6,172.63	\$6,962.69
SOUTH SAN ANTONIO ISD	\$6,912.23	\$7,144.00	\$7,095.45	\$7,096.01
SOUTHWEST ISD	\$6,729.00	\$6,867.78	\$6,920.39	\$6,555.97

Source: TASBO eFACTS+

The table below shows student to total staff FTE and Teacher FTE ratios by fiscal year for South San Antonio ISD compared to Harlandale ISD and Southwest ISD. Both peer school districts indicated more students relative to the number of total staff and teacher FTEs through school year 2011-2012. The staffing ratios are correlated with higher spending levels in South San Antonio ISD shown in the table above.

		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
HARLANDALE ISD	Students to Total Staff Ratio	7.2	7.1	7.1	7.2	7.3
HARLANDALE ISD	Students to Teacher Ratio	15.1	14.8	15.3	15.5	15.5
SOUTH SAN ANTONIO ISD	Students to Total Staff Ratio	6.9	6.7	6.7	6.9	7.6
SOUTH SAN ANTONIO ISD	Students to Teacher Ratio	14.7	14.6	14.4	14.7	15.7
SOUTHWEST ISD	Students to Total Staff Ratio	7.9	7.7	7.8	8.3	8.4
SOUTHWEST ISD	Students to Teacher Ratio	16.3	16.2	16.0	16.7	17.0

Source: TASBO eFACTS+

The following table shows trends for unreserved fund balance in the General Fund for South San Antonio ISD compared to Harlandale ISD and Southwest ISD. The overall trends for fund balance for fiscal years 2009 through 2012 evidence differences in financial management in these school districts, and are correlated with higher spending levels in South San Antonio ISD, especially in fiscal year 2012.



Source: TASBO eFACTS

The Commendations, Findings, and Recommendations presented have been developed as a roadmap for the Business and Finance Department to meet and exceed its goals.

Commendations

- The District has sought out and obtained numerous external reviews of financial processes in the areas of Payroll, Expenditures (vendor selection and cash disbursements), and the 2010 Bond Program.
- The Business and Finance Department has developed several purchasing training modules, with iTCCS screen shots. The training modules are readily available on the district's intranet.
- A Purchasing and Warehouse handbook was implemented three years ago. The handbook includes work flows, procedures, and screen-shot instructions. A Student Activity Account manual has been in use by the District since 2006 and the District is in the process of updating this manual.
- The Business and Finance Department has developed a user-friendly Warehouse Catalog. The catalog includes all stock items including a picture of all items.
- The AESOP substitute calling system is scheduled for full implementation during the 2013-2014 school year. The system will be utilized by all District staff to report absences. The District has an opportunity to automate the leave tracking process if the AESOP data interfaces to the finance system, iTCCS.
- The District has recently contracted with TASB to conduct a full policy review and update. The update will be valuable during the development of administrative procedures for the Business and Finance Department.
- The District has contracted with an outside vendor to develop an accurate fixed assets inventory and accounting system that will be used to manage the District's fixed assets today and into the future.
- The Staff Accountant verifies the general ledger estimated revenues and appropriations on a monthly basis to confirm that the general ledger is in balance and that budget amendments and certain other entries are properly posted.
- The Child Nutrition Program has strong financial management systems to ensure that the department is able to cover its budgetary needs without a subsidy from the General Fund.
- Multi-year financial forecasts of summarized revenue and expenditures are obtained from an outside consulting firm.
- The District is managing its overall compliance burdens related to federal grants by avoiding the split funding of employees, to the greatest extent practical

- Employees in the Business and Finance Department have developed draft financial management manuals, including:
 - Campus and Student Activity Funds Manual (currently being revised)
 - Budget Manual
 - Fiscal Manual
 - Compensation and Benefits Handbook
 - Federal Program Procedures and Assurances Manual
 - Purchasing and Warehouse Guidelines
- District staff is dedicated and demonstrated a can-do attitude.

Findings

Staffing Levels

1. **Finding.** The ratio of total students to staff in the Business & Finance Department is lower than the peer school districts. The total students per staff ratios for South San Antonio ISD, Harlandale ISD, and Southwest ISD are 578:1, 689:1, and 868:1, respectively. The students per staff member for exempt staff and non-exempt staff are noted below:

Total Students	Total Staff	Exempt	Non-Exempt
9,842	578:1	1,969:1	830:1
15,158	689:1	3,031:1	891:1
13,022	868:1	2,604:1	1,302:1

It appears that the District is overstaffed in the exempt staff category compared to the peer school districts. The District has been operating without the Accountant for Special Programs for some time. If we exclude this position and calculate the total students per staff member using only four (4) exempt staff members, the result is a ratio of 2,460:1. This ratio is also lower than the peer school districts; however, the District's ratio of students to total non-exempt staff is similar to Harlandale ISD, but much lower than Southwest ISD.

Positions	South San Antonio ISD	Harlandale ISD	Southwest ISD
Asst. Supt. for Business		1	1
Executive Director of Finance	1		
Executive Director of Operations (Purchasing Director)			1
Director of Budget & Fiscal Services	1		
Director of Accounting & Payroll			1
Fiscal Affairs Administrator		1	

Accountant	1		1
Accounting Manager		1	
Chief Accountant		1	
Accountant for Special Programs (vacant since 2010-2011)	1		
Asst. Business Manager			
Director of Purchasing	1		
Purchasing Coordinator/Manager		1	1
Subtotal – Exempt Staff	5	5	5
Admin Asst to Asst. Superintendent and/or Executive Director	1	1	1
Purchasing Clerk, Secretary, Admin. Asst.	1	2	2
Payroll	3	5	3
Payroll Liability Clerk		1	
Payroll Supervisor	1	1	
Accounts Payable	3	2	
Accounting Clerks (Includes Accounts Payable functions)			4
Travel Clerk		1	
District Student Activity Accounts Bookkeeper		1	
Data Input Clerk		1	
Accounting Clerk/Utilities		1	
Payroll Bookkeeper	1		
Staff Accountant	1		
Bookkeeper	1	1	
Subtotal – Non-Exempt Staff	12	17	10
Grand Total	17	22	15

Recommendation. The District should evaluate the job descriptions of all exempt and non-exempt staff to redefine the areas of responsibility. Implementation of some recommendations contained in this report related to automation of processes may assist the District to determine the appropriate staffing levels and position titles.

2. **Finding.** The Business and Finance Department, as with other departments throughout the District, is currently operating with several vacant positions.

Recommendation. The administration and the Board of Trustees should work together to fill the vacant positions in the Business and Finance Department. Time

should be set aside for adequate training of both current and new staff in the applications of the District's business operations.

3. **Finding.** The Business and Finance Department staffing needs may change if redundancy of duties and manual processes are eliminated. Certain processes in the Business and Finance Department could be streamlined and improved to reduce the time on task, as explained in other findings.

Recommendation. Process improvements should be implemented, to the greatest extent practical, prior to an assessment of current staffing needs. Prior to filling certain vacant positions, supplemental staff resources may be contracted for on a project basis to provide coverage for essential functions in the Business and Finance Department, in addition to advising the District on opportunities for process improvement and staffing needs.

4. **Finding.** Due to the vacancies within the Business and Finance Department (and District), certain substantial roles and responsibilities have been (temporarily) reassigned to existing staff. Due to this constraint, the Business and Finance Department staff does not have the adequate time to proactively plan and pursue ways to improve.

Recommendation. The administration and Board of Trustees should work cooperatively together to fill the vacant positions in the Business and Finance Department so staff can shift their mode of operating from being reactionary to that of planning and implementation.

Organizational Structure

5. **Finding.** The administration is considering a change from the decentralized accounting method for campus/student activity funds to a centralized accounting method.

Recommendation. The administration should consider the use of a stakeholder committee to garner input and buy-in from staff directly affected by any changes in the accounting method and implement any changes after careful consideration of all implications. During the time the District continues with a decentralized system for campus/student activity funds, the District should move forward with implementation and training for the student activity accounting software package already acquired by the District. If a centralized system is subsequently used, then the District's current finance software (iTCCS) should be considered for use to manage and account for the student activity funds.

6. **Finding.** IT department staff reported that roles and responsibilities in the District's organization related to security access controls in the financial information system iTCCS (iTCCS is supported by the Texas Computer Cooperative headquartered in the Region 20 ESC) are primarily assigned to the Business and Finance Department staff.

Maintaining an adequate level of segregation of duties is a significant internal control factor that is adversely affected if Business and Finance Department staff has primary control over the recording of financial transactions and administrative control over the financial information system. The IT staff reported that other comparable districts

have installed administrative control that is shared by the IT and Business and Finance Departments

Recommendation. Roles and responsibilities in the District's organization related to security access controls in the financial information system iTCCS, including control over assigning access to District staff to view, post or adjust transactions in one or more modules or functional areas, should be collaboratively administered by designated management level staff in the IT and Business and Finance Departments. The review and approval of documentation of security access control design, procedures and administration, in addition to requests for specified modification to the financial information system should be recorded on a log on should show sign-offs by both departments.

7. **Finding.** Some of the non-exempt staff has a limited number of years experience in their current position. For example, all three of the payroll clerks have been in their position for less than one year. In addition, two of the three accounts payable clerks have been in their position for less than one year. The other accounts payable clerk position is vacant. A payroll clerk and an accounts payable clerk have been in their position for less than one month.

Recommendation. It is recommended that a training plan be developed for every Business and Finance Department non-exempt staff member that has been in their position for one year or less. The training plan should include, but not limited to, the following:

- Finance system, iTCCS,
- District policies and procedures, and
- External training sources in their respective area

Economies & Efficiencies

8. **Finding.** The District's credit availability has been diminished due to non-payment or late payment to credit card merchants. Based on interviews with staff, several merchants have suspended the credit line for district purchases due to non-payment or delayed payment for charges by District employees. It appears that a pattern of allowing District staff to purchase goods without a purchase order has contributed to delayed payments to the merchants. In addition, the District practice of issuing confirming purchase orders for some operational departments without encumbering the purchase orders has also contributed to delayed payments.

Recommendation. The District should reconcile all credit card accounts to verify the amount owed to each merchant, if any. After validating the amounts due with source documents, such as purchase receipts and invoices, the District should make payment for all amounts currently due and/or in arrears. In addition, the District should actively enforce Board Policy CH (Local) which states: *All purchase commitments shall be made by the Superintendent or designee on a properly drawn and issued purchase order, in accordance with administrative procedures.* Business practices such as requiring a purchase order and encumbering all purchase orders on the general ledger are useful tools in the overall financial and budgetary management of the District. A proactive approach in managing District credit accounts should facilitate the reinstatement of the District's credit availability.

9. **Finding.** The General Accountant expressed an interest in using the District's intranet for training overviews and video clips to staff in a variety of areas ranging from employee benefits to accounting.

Recommendation. The administration should explore this as an efficient means of providing important staff training.

10. **Finding.** District staff, including program directors and other stakeholders with budget and compliance management roles and responsibilities, reported that they did not have access to a sufficient level of details in the financial information system, iTCCS (supported by the Texas Computer Cooperative headquartered in the Region 20 ESC). Staff reported that access to iTCCS is through the warehouse module. The mode of access to financial information does not give sufficient information about payroll expenditures, which represents the majority of the resource allocations from local, state and federal funding sources. Information provided by the Executive Director of Business & Finance indicated that access to financial information for principals and directors was to be limited under a previous administration by excluding access to payroll information. The iTCCS program only allows filtering by either one fund or one organization for the user and does not allow filtering by function or object (which includes payroll) codes. As a result, the principals and directors do not have access to the financial inquiry screen and are limited in their ability to monitor finances. This practice has continued the past two fiscal years since the departure of that superintendent.

Program directors and other stakeholders with budget and compliance management roles and responsibilities require real-time access to comprehensive financial management information to ensure the effective and compliant use of allocations from local, state and federal funding sources. Financial penalties related to noncompliance can be significant, in some instances, if noncompliance results in refunds of state and federal grant funds and state aid allotments under the Foundation School Program in addition to other funding sources. The current administration should work with Region 20 to determine the feasibility of programming iTCCS to allow more flexibility in filtering data available to users. If this is cost prohibitive, then reconsider the current practice and allow key employees access to financial data so budgets can be monitored on a real time basis. **See Finding #25 and #52.**

Recommendation. District staff, including program directors and other stakeholders with management roles and responsibilities related to budget, accountability and/or compliance, should be provided comprehensive access to the financial information system, iTCCS, with limited exceptions. Read only access to the modules or functional areas to the financial information system will prevent inadvertent changes by staff that work outside of the Business and Finance Department. Expanded access, on an as needed basis, should be provided in limited areas, such as staff authorized to approve purchases from the electronic purchase order system.

11. **Finding.** Certain District staff reported they had not received training on various financial management topics. Certain staff reported it would be helpful to be provided training on various topics including:
- Budget
 - PO preparation

- Purchasing
- Grant management
- Systems to monitor compliance
- Allowable and non-allowable costs
- Forms
- Procedure manuals (see list about draft financial management topics)
- Do's and don'ts related to various financial management tools

Training of stakeholders according to assigned roles and responsibilities is essential to help ensure accuracy, consistency, completeness and compliance in all financial management-related activities. Issues connected to insufficient training inadvertently result in excess costs and increased time on task that could have been avoided.

Recommendation. A staff development plan and a year-round training calendar should be developed to ensure delivery of training on various financial management topics to all appropriate staff, including late hires. The District should supplement face-to-face training with recordings that may be viewed when needed by new and existing staff.

12. **Finding.** It was reported that the District's E-rate-related funding was suspended a few years ago by the Schools and Libraries Program. Under the suspension of funding, the District has lost access to millions of dollars in E-rate-related discounts in recent fiscal years. As a result, the IT department reported that the IT infrastructure and many devices are now technologically obsolete, which significantly increases the District's operating costs and indirectly diminishes the effectiveness of various supplemental programs, services and activities that rely on and would benefit from support from a modern technology infrastructure. As public education becomes more technology centric the effect of this issue on overall efficiencies and effectiveness of educational programs cannot be overstated.

Recommendation. The District needs to resolve the suspension of E-rate funding, as soon as possible. The District should review the outcomes from its current contractor that specializes in the E-rate program and is experienced in resolving issues related to the suspension of E-rate funding to determine whether or not the District is receiving the optimal results.

13. **Finding.** District staff is responsible for delivering various education-related programs, services and activities require access to designated purpose funds during the entire fiscal year, as practical. It is a practice in many school districts to suspend access to POs in April or May for certain funding sources. However, certain District staff reported suspended access to grant funds in April or May of 2013, which practically limits the District's ability to use supplemental funds provided by state and federal grant sources. According to the Executive Director of Business & Finance, the cut-off of special revenue funds is determined by the director of those programs. Most federal programs have a 14- to 15-month project period that ends on August 31st or September 30th, which was implemented a couple of years ago by the Texas Education Agency to promote increased flexibility in coordinating the use of grant funds from July through August or September of the calendar year, as applicable (ending and beginning project periods for most grants overlap during this time

period). This matter can also cause unintended compliance-related issues, including caps on roll-forward amounts.

Recommendation. The District should consider adjusting its process to increase monitoring of the disbursement of grant funds during the respective project periods per grant to help ensure maximize state and federal grant funding in support of supplemental programs, services and activities.

14. **Finding.** Certain District staff reported that vendors are paid late, in some instances, partly as a result of District employees' significantly delayed access to the operating budget, as disclosed in other findings in this report. It was also reported that certain vendors are hesitant to do business with the District due to late payment issues, which may result in higher prices charged to the district if certain businesses charge more for goods and services due to slow payment issues, or cease to respond to the District's requests for competitive proposals, bids or price quotes. School districts are to pay a financial penalty on late payments to vendors, when a payment is made later than 30 days after receipt of a correct invoice (the financial penalty is expected to be automatically paid without prompting from vendors). This finding has a direct adverse effect on overall economies and efficiencies in the District.

Recommendation. The District must make all payments to vendors on a timely basis, in accordance with the Government Code Section 2251.021, which states: *A government entity under a contract executed on or after September 1, 1987, is overdue on the 31st day after the later of: 1) the date the government entity receives the goods under the contract; 2) the date the performance of the service under the contract is completed; or 3) the date the government entity receives an invoice for the goods or services.* See additional recommendations on this issue in a related finding under the section **Work Flow and Procedures**.

15. **Finding.** Efficient administration of a District is promoted by a centralized financial information software (FIS) application. Certain District staff reported individual efforts to record accounting details on their individual computers instead of relying on the primary FIS. This issue means the District's employees are not maximizing their use of District resources. The FIS should support the District's employees' efforts in organizing financial information to help ensure efficient and effective use of resources to deliver program, services and activities.

Recommendation. The district should promote increased use of the financial information system, iTCCS, and other tools organized in central administrative that are intended to support multiple departments and offices.

16. **Finding.** Questions about the projected fund balance in the General Fund at August 31, 2013 generated significantly different administrative perspectives on the District's budget status. A factor contributing to this issue is the lack of monthly business reports that show sufficient details regarding the projected fund balance. Provision of sufficient details in periodic financial reports is essential to promote economies and efficiencies in a school district. See **Finding #42**.

Recommendation. The Business and Finance Department should provide monthly reports to the Superintendent and Board of Trustees that reflect the financial position of the District, including updates on the revenues, expenditures and fund balances of key funds.

17. **Finding.** The Business and Finance Department is not proactive in promoting widespread use of information collected by and organized in central administration, including the financial information system, in analyzing the efficient and effective instructional and operational activities. This opportunity for improvement is connected to the various issues disclosed in this report, especially the limitations placed on accessing data in the financial information system. The use of financial data in benchmarking with other comparable districts and campuses and in analyzing key performance indicators is a best practice in financial management.
- Recommendation.** The District's employees should be trained on the use of key performance indicators to benefit the efficient and effective use of resources in support of instructional and operational activities. Employees should be provided expanded access to information systems and data elements to support the use of key performance indicators across campuses and operational areas. Also, systems of accountability supported by key performance indicators should be expanded in the District.

Procedures & Guidelines

18. **Finding.** Written procedures and handbooks for most finance operations are lacking. Although some drafts have been developed by the Business and Finance Department, the documents have not been subjected to stakeholder review and/or approval by the Superintendent. The current proposed manuals include some informal input from stakeholders. District staff interviewed in central administration disclosed an overall lack of clarity about financial management systems and processes due to the lack of access to financial management manuals. Financial management manuals are an essential element of internal control. Adequate documentation of financial management-related processes helps to ensure accuracy, consistency, completeness and compliance. Financial management manuals are requested in compliance monitoring visits by regulatory oversight agencies.
- Recommendation.** Development of financial manuals should reflect actual processes used within the District and be developed with input from stakeholders. All aspects of the manuals should be closely reviewed to be certain that the manuals reflect current laws, regulations and District policies. The draft financial management manuals should still be reviewed by all stakeholders to ensure they cover processes, procedures, financial information systems, forms, policies and practices specific to the District. Manuals should be personalized to the District to ensure they are relevant and helpful to the District's employees and other stakeholders.
19. **Finding.** The user names for the student, staff and finance iTCCS applications are currently assigned by the PEIMS Department and Business and Finance Department.
- Recommendation.** The responsibility for managing user names and passwords for the District's iTCCS software should be consolidated into the Technology Department. Written procedures, including a request for security access form, should be implemented to ensure that there is collaboration between the user departments and the Technology Department regarding the appropriate roles and access for iTCCS users. See Appendices.

20. **Finding.** Based on interviews, the District appears to have not filed all sales tax reports with the Texas Comptroller of Public Accounts.

Recommendation. The District should take immediate action to file all required current and past due sales tax reports with the Texas Comptroller of Public Accounts. The Business and Finance Department staff should review sales tax requirements and establish written procedures for the filing of sales tax on a monthly basis with the Texas Comptroller of Public Accounts. **See Appendices.**

Automation of Activities

21. **Finding.** Employee leave processing is a labor-intensive, manual process that includes three tiers of redundancy: index card, spreadsheet and iTCCS. A leave form is submitted by District staff for all types of absences. The payroll clerks post these forms to all three of these systems. As a result, the payroll clerks have to take additional steps to validate that all three documents match. According to staff interviews, the reconciliation of the three documents does not occur on a regular basis, but rather as time allows. We also observed that the leave of absence form does not include assault leave as an available type of leave. The form is not compliant with the Texas Education Code (22.003 c-1) which states that: *Any form used by a school district through which an employee may request leave under this section must include assault leave under Subsection (b) as an option.*

Recommendation. The District should redesign and automate the employee leave accounting and reporting process by eliminating the use of leave index cards which appear to be the most labor-intensive part of the process. If the District desires to maintain a manual record of leave in addition to the data entered in the payroll system, the District could continue to enter all leave data in an Excel spreadsheet. The spreadsheet may be used as a transmittal form to facilitate posting to the payroll system. If the District eliminates the use of the Excel spreadsheet, it is important to note that the leave data from the payroll system can be extracted in a report or data file format at any time. The leave form is the primary source document for audit purposes. The District must update the leave form to be compliant with TEC 22.003 (c-1). **A Leave Processing Workflow depicting the current process and the recommended process is included in the Appendices section.**

22. **Finding.** The timekeeping system, Kronos, is not being maximized for data collection, supervisory approval, and storage of employee timekeeping records. The Kronos timekeeping system is currently used to collect hours worked for all non-exempt staff. All non-exempt employees clock-in and clock-out on a daily basis. Corrections due to missed punches or other errors are collected on a timekeeping correction form. A Time Detail Report is printed from Kronos, signed by the employee and supervisor, and forwarded to the payroll department for processing. According to the Fair Labor Standards Act, employers may collect and store timekeeping data in an electronic format if the records are maintained (and retrievable) for a period of three years. The system could also be used for supplemental pay for professional staff but is not. A paper time sheet or sign-in sheet is used for supplemental pay.

Recommendation. The Business and Finance Department should consider providing access for campus and department iTCCS users to run detail and summary account balance inquiries and reports through the finance module of iTCCS. New access to iTCCS should eliminate the need for the Business and Finance Department's staff to run and distribute the paper reports.

26. **Finding.** District Business and Finance Department staff, in some instances, is not following standard practices of financial management in certain areas, including maximizing the use of automated processes. This issue is explained by the various findings in this report.

Recommendation. Staff should be provided mentors. Staff should participate in field visits to other districts, which should be districts that are recognized for following best practices in financial management.

Roles & Responsibilities

27. **Finding.** It appears that there has been little, or no ongoing communication between the Human Resources and Business and Finance Departments regarding the payroll distribution account codes in payroll and the budget. The Human Resources Department enters all payroll distribution account codes in the Position Control module in iTCCS. The account codes utilized by the Human Resources Department should be budgeted in the finance system; therefore, collaboration between these two departments is vital.

Recommendation. The Human Resources and Business and Finance Departments should work collaboratively to develop written procedures regarding changes in payroll distribution account codes during the school year due to new positions, staff assignment changes, state or federal grant positions, and changes in the campus master schedules. To ensure that budgetary controls are in place, all requests for new positions should be approved by the Business and Finance Department prior to advertising and/or filling the positions.

28. **Finding.** The General Accountant is currently responsible for coordinating employee health benefits. This is also the busiest time of the year for the General Accountant position with the close of one fiscal year and the opening of a new fiscal year (August–October). This time period overlaps with both the peak of employee turnover and the District's employee benefit renewal process.

Recommendation. Employee health benefits are a benefit provided to employees by the District and is typically coordinated through the Human Resources Department for school districts. Administration should consider moving this responsibility to the Human Resources Department. This provides more time for the General Accountant to focus his time on closing out the prior fiscal year, preparing for the audit, and the opening of the new fiscal year with the timely processing of the corresponding paperwork and training.

29. **Finding.** District staff does not have adequate access to the financial information system software used by the District, as noted in other findings in this management review report.

Recommendation. After modifications are made to security access controls in the financial information system, employees' job descriptions should be reviewed and

updated for expanded roles and responsibilities, including expanded involvement in various aspects of overseeing and managing efficiencies and effectiveness of assigned activities, programs, services and operations.

30. **Finding.** The PEIMS director reported that PEIMS data quality activities for financial data elements (budget record type in PEIMS submission 1, and actual financial record type in PEIMS submission 2) are primarily administered by the Business and Finance Department. As a result, the PEIMS director did not appear to be sufficiently involved in data quality activities related to financial information reported through PEIMS.

Data quality affects all stakeholders in the school district, including monitoring the efficient and effective delivery of education related programs, services and activities. Also, this issue can also adversely affect the District's funding. Lastly, it can also affect compliance monitoring activities by oversight agencies and cause a district to be flagged for intensive monitoring activities including onsite visits.

Recommendation. The PEIMS director should have expanded roles and responsibilities related to data quality in the Business and Finance Department.

31. **Finding.** The PEIMS director did not have a budget, including budget for travel related activities. Attendance at various training and information sharing events related to PEIMS is essential to keeping up with the complex requirements related to PEIMS reporting.

Recommendation. The District's staff should have access to a budget that supports participation in training activities outside of the District.

Job Descriptions

32. **Finding.** Based on interviews, not all employees have seen their job descriptions and it is not clear as to whether or not the job descriptions are aligned with employee responsibilities.

Recommendation. As vacancies are filled and responsibilities for all positions are defined, the Human Resources Department should work with all departments, including the Business and Finance Department, to update job descriptions so the job description will accurately reflect the responsibilities of each position.

Work Flow and Procedures

33. **Finding.** The 2012-13 budget was not made available to campuses and departments at the beginning of the new fiscal year. The budget was loaded into the finance system and the requisition system was available by September 5th; however, the Executive Director for Finance did not make the system available to staff for several weeks after that date. There was not a reason provided for the delay in making the new budget available.

Recommendation. The Executive Director for Business and Finance should coordinate with his staff to improve work flow and procedures to ensure access to the new year budget as close to September 1 as possible. The work flow and procedures in this area should be documented in relevant manuals and checklists.

Confirming PO Processing Workflow depicting the current process and the recommended process are included in the Appendices section.

35. **Finding.** The centralized travel process is a labor-intensive, manual system. The process starts when the traveler submits a travel request form for lodging and another form for meals. The forms include the date(s) of travel, estimated expenditures, account code, and other travel details. The request for lodging is forwarded to the Purchasing Clerk. The Purchasing Clerk makes the hotel reservations for all travelers and faxes or emails a Credit Card Authorization form to all in-state and out-of-state hotels with the department's travel card. The travelers are expected to submit a copy of their hotel receipt after the trip for payment purposes. If the traveler fails to submit the hotel receipt, the Purchasing Clerk contacts the hotel directly to request a copy of the hotel receipt. Upon receipt of the travel card monthly invoice, the Purchasing Clerk reconciles the credit card charges with the hotel receipts and forwards the documentation to the Accounts Payable Clerks for payment. The reconciliation process is often delayed if the traveler has insufficient funds in their travel budget. This issue could be mitigated by encumbering all travel funds prior to making the travel arrangements. The process for rental cars is similar. The process often results in challenges with travel arrangements for hotels and rental cars. At times, the traveler has been unable to check in or check out of a hotel due to missing credit card authorization forms (typically on the part of the hotel). The travel requests for meals are approved by the General Accountant and forwarded to the Accounts Payable Clerks for payment. The advanced payments for meals are processed as a direct payment. The issue related to insufficient funds also occurs during the issuance of travel advance checks for meals. Due to the two separate processes, it is difficult to detect if any employee has requested lodging arrangements and a lodging advance for the same travel event.

Recommendation. The District should streamline the travel process by creating a singular form for all travel requests. Written procedures for the travel process should be developed collaboratively between the Business and Finance Department and stakeholders (campus and department staff). The procedures should include, but not be limited to, the travel forms (authorization and settlement), encumbrance of all travel funds, travel supporting documentation (registration form, conference schedule, lodging and meal per diems, mileage mapping system, etc.), and the payment of all travel expenditures. The District should consider maximizing the current use of the Citi-Bank Travel Card program by issuing a travel card to travelers for their lodging and rental car expenditures. The reservations of hotels and rental cars could also be streamlined by assigning a campus and department travel card to the appropriate administrator or secretary. Both of these processes would eliminate the need to fax and/or email Credit Card Authorization forms to hotels. All other authorized travel expenditures such as meals and mileage should be disbursed according to the normal accounts payable process. Encumbering all estimated travel funds should eliminate or reduce the incidents of insufficient travel funds after-the-fact. **A Travel Processing Workflow depicting the current process and the recommended process is included in the Appendices section.**

36. **Finding.** POs may be stalled for various reasons but managers and directors are not informed promptly. It also appears that issues affecting certain POs that are held up at

certain levels of the approval process involve relatively minor issues that could be expeditiously remediated in order to ensure the prompt delivery of needed resources. The Executive Director of Business & Finance indicated that the iTCCS system automatically generates an email communication to the requestor when a purchase order is not approved.

Recommendation. The District should design and document work flows and procedures in relevant manuals related to communications concerning the status of POs. The District should implement a consistent feedback loop that provides information on the status of all POs. The District should implement performance goals for the percentage of POs that are processed timely. Documentation of delays should be periodically reviewed for opportunities to improve work flows and procedures. The District should also provide expanded training on the PO system to certain employees, as needed, as various issues are documented. Training should be provided to users and administrators of the purchase order system to familiarize the requestors of purchase orders of the email notification process and to provide authorizing administrators with guidelines and time-frames for review and approval of purchase orders.

37. **Finding.** The requisition approval path includes multiple approvals in the Business and Finance Department that may result in a delay in the approval process. Currently there are three positions from the Business and Finance Department that approve every purchase order: Executive Director of Finance, Director of Budget and Fiscal Services or General Accountant, and the Director of Purchasing. The purchasing clerk is the “final approver” on purchase orders. According to staff interviews, the communication concerning the status of requisitions should be improved to ensure that budget managers (principals and administrators) are promptly notified of any delays in the approval process. Requisitions may be stalled for various reasons but managers and directors are not informed promptly. It also appeared requisitions were held up in the approval process that could have been processed and minor issues remediated in order to ensure the prompt delivery of needed education-related resources.

Recommendation. The District should revise the Purchasing Flowchart to ensure that all purchase orders are promptly approved to meet the needs of stakeholders (campuses and departments). It is recommended that the need for multiple Business and Finance Department approvals be evaluated for efficiency. The Director of Purchasing should retain final approver rights. The district should also fully utilize the requisition system. It has the capability of notifying a requisition originator of the status of a pending requisition. Training should be provided to all budget managers (principals and administrators) to ensure that they have the authority and access to monitor their respective requisition requests.

38. **Finding.** The Change in Personnel (CIP) and Change in Compensation (CIC) forms are initiated in the Human Resources Department. Any payroll employee can view and process the forms. The “process” function posts all changes, such as salary, job codes, account codes, etc. to the payroll master file.

Recommendation. It is recommended that the Director of Budget & Fiscal Services review the budget for CIPs and CICs and that the Payroll Supervisor approve all changes to the payroll master file after approval by the Director of Budget & Fiscal



SALES AND USE TAX BULLETIN

Susan Combs, Texas Comptroller of Public Accounts

July 2009

School Fundraisers and Texas Sales Tax

Texas school districts, public schools, qualified exempt private schools and each bona fide chapter within a qualifying school are exempt from the payment of Texas sales and use tax on purchases of taxable items for their use, if the purchases are related to the organization's exempt function.

The organization must obtain a sales tax permit and collect and remit sales tax on taxable items it sells unless one of the exemptions listed below applies. An organization does not have to register for a sales tax permit if all its sales are of exempt items or if its sales take place through tax-free fundraisers.

One-Day Tax-Free Sales

School districts, public schools, qualified exempt private schools and bona fide chapters within a qualifying school may conduct one-day tax-free sales or auctions each calendar year. For the purposes of this exemption, one day is counted as 24 consecutive hours and a calendar year is the 12-month period from January through December. See subsection (h) of Rule 322, "Exempt Organizations."

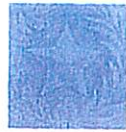
For example, a school may sell taxable items such as t-shirts, hats, uniforms, school supplies or crafts

tax-free on a designated tax-free sale day. These days should be designated in advance so that purchasers are aware that the sales are not subject to tax. The organization may not collect tax on the transactions and keep the tax under the "tax-free" sale provision. The exemption does not apply to any item sold for more than \$5,000 unless it is manufactured by the organization or donated to the organization and not sold back to the donor.



Either the date on which the items are delivered by the vendor to the school organization or the day on which the school organization delivers the items to its customers may be designated as the one-day tax-free sale day. Persons buying from surplus inventory on the designated date do not owe tax. Those buying on subsequent dates owe tax unless the purchase occurs on the organization's other tax-free sale day.

For example, a school group selling yearbooks may accept pre-orders without collecting tax if the day the yearbooks will be delivered to customers is designated as one of the group's tax-free fundraisers. Surplus yearbooks sold during the same day also qualify for the exemption. Surplus yearbooks sold on other days are taxable unless sold at the group's other tax-free fundraiser.



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If two or more groups hold a one-day tax-free sale together, the event counts as one tax-free sale for each participating organization. Each of those organizations then is limited to one additional tax-free sale during the remainder of the calendar year.

If an exempt organization is purchasing taxable items for resale during its designated tax-free sale days and it holds a sales tax permit, the organization may either give the retailer a resale certificate, Form 01-339 (front), or an exemption certificate, Form 01-339 (back) to purchase the items tax-free. A non-permitted exempt organization, however, may purchase items for resale tax-free by issuing an exemption certificate to the vendor for items sold during its two one-day, tax-free sales.

Schools and Bona Fide Chapters

To qualify as a bona fide chapter of a school, a group of students must be organized for an activity other than instruction or to have a tax-free sale. Bona fide chapters include student groups recognized by the school and organized by electing officers, holding meetings and conducting business. There is no limit on the number of bona fide chapters a school can have. Bona fide chapters can include whole grade levels (e.g. senior class, junior class or freshmen), but cannot be limited to specific classes (e.g. Senior English or Biology II). Various other school groups such as a student council, science club or drama club can qualify if they are composed of students and school staff.

A department of a school, such as a purchasing, accounting, maintenance or IT department, is not a bona fide chapter even though it is part of the school or school district.

Groups that are not considered bona fide chapters, unless otherwise qualified to hold the two one-day tax-free sales, must obtain a sales tax permit and collect and remit sales tax on all taxable items sold at

fundraisers. Non-student organizations such as booster clubs and PTAs/PTOs cannot qualify as bona fide chapters of a school, but may qualify for the tax-free sale days under other provisions of the Tax Code. See the "Nonstudent Nonprofit Organizations" section in this publication for more information.

Non-Qualifying Fundraisers – Acting as an Agent or Sales Representatives

When a school, school group, PTA/PTO, booster club or other exempt organization raises funds by acting as a sales representative or commissioned sales agent for a for-profit retailer, the group is not responsible

for reporting and remitting sales and use tax. As a result, however, the exempt organization is not considered to be the seller and cannot use a tax-free sale day for this type of event. In these cases, the group receives a commission for holding a book fair or for selling candy, gift wrap, holiday ornaments, candles or similar items.

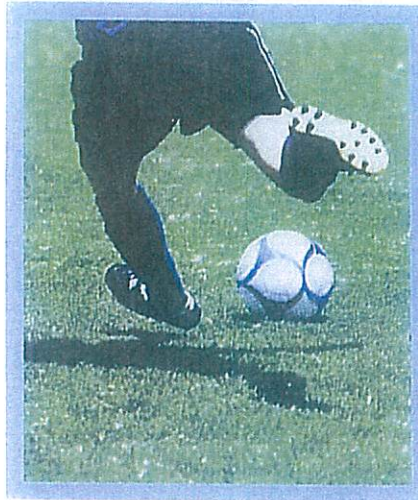
When an exempt organization acts as a commissioned sales agent or representative for a for-profit seller, the seller should provide instructions and information regarding the proper collection of tax. The for-profit retailer may

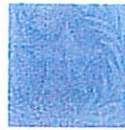
advertise in the sales catalog or state on each invoice that tax is included or require that tax be calculated and collected based on the selling price of each taxable item. The for-profit retailer is then responsible for remitting the tax collected or backed out to the Comptroller. Similarly, sales of taxable items made through the Web site of a for-profit retailer are also taxable and may not be sold tax-free in connection with a fundraiser.

Nonstudent Nonprofit Organizations

Nonstudent nonprofit organizations that are not bona fide chapters of schools may qualify for two one-day tax-free sales or auctions on their own.

A booster club for a band, football team or similar group may hold two one-day tax-free sales or auctions





School Fundraisers and Texas Sales Tax

nce it has obtained a sales tax exemption from the Comptroller's office on its purchases.

nonprofit organization with an Internal Revenue Service (IRS) exemption under Section 501(c)(3), (4), (8), (10) or (19) is exempt from sales and franchise taxes.

booster club that has a 501(c) federal exemptions should complete AP-204 and submit it, along with a copy of its IRS exemption letter, to the Comptroller's office. After the Comptroller's office notifies the club of its exempt status, the club can hold two one-day tax-free sales or auctions each calendar year.

parent-teacher associations (PTAs) affiliated with the Texas state PTA or the national PTA are exempt as educational organizations and can hold two one-day tax-free sales or auctions each calendar year. **Parent-teacher organizations (PTOs)**, as well as **parent-teacher-student associations (PTSAs)** and **organizations (PTSOs)**, are also exempt from sales tax as educational organizations.

PTAs *not* affiliated with the Texas state PTA or the national PTA, parent-teacher organizations (PTOs) and parent-teacher student associations (PTSAs) and organizations (PTSOs) are also eligible for exemption from sales tax as educational organizations. These organizations should complete form AP-207 and submit it to the Comptroller's office. Once the exemption has been granted, these organizations can also hold two one-day tax-free sales or auctions each calendar year.

Sales of taxable items by PTAs, PTOs, PTSAs, and PTSOs made at other times of the year are subject to tax.

Internet Sales

Sales of taxable items over the Internet are treated the same as sales of taxable items made at the school or any other sales location. Schools, school groups and

other non-student, nonprofit organizations that accept online orders through a Web site must collect sales tax on taxable items they sell online. An online sale occurring during a one-day tax-free sale, however, would qualify for the exemption.

Food and Beverage Sales

A public or private elementary or secondary school, school group or PTA/PTO does not have to collect tax on sales of meals and food products (including candy and soft drinks) if the sales are made during the regular school day and by agreement with the proper school authorities. This exemption includes food, soft drinks and candy sold through vending machines.



PTAs/PTOs and other qualifying groups associated with a specific public or private elementary or secondary school or school group may also sell meals, food, candy or soft drinks tax-free outside of the school day if the sales are part of the organization's fundraising drive and all net proceeds go to the group for its exclusive use.

Concession Stands

Concession-stand food sales are exempt from tax when made by a school group, PTA/PTO or other group (such as a booster club) associated with a public or private elementary or secondary school, if the sales are part of the organization's fundraising drive and all net proceeds go to the organization for its exclusive use. The exemption applies to sales of soft drinks and candy, but does not include sales of alcoholic beverages. The group can issue an exemption certificate in lieu of paying tax on purchases of candy, sodas, gum and other taxable food items sold at its concession stand. The exemption certificate should state that the group will sell the items as a fundraiser.

Annual Banquets and Annual Food Fundraisers

All volunteer nonprofit organizations can hold a tax-free annual banquet or other food sale provided the



SALES AND USE TAX BULLETIN

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event is not professionally catered; is not held in a restaurant, hotel or similar place of business; is not in competition with a retailer required to collect tax; and the food is prepared, served and sold by members of the organization. The exemption does not apply to the sale or purchase of alcoholic beverages. To qualify for exemption, the food sale must:

- be an annual event;
- last no more than one week;
- be a fundraising project exclusively provided by the volunteers of the participating nonprofit organizations;
- be non-commercial in every respect (that is, the food and beverages cannot be prepared or served by a caterer or a restaurant, and must be prepared and served by the participating organizations' volunteers, without pay); and
- not be held in competition with a retailer at the same event who must collect tax on food and beverage sales.

The annual food sale or banquet exemption does not apply to sales of alcoholic beverages or non-food items (e.g., arts, crafts or t-shirts). Alcoholic beverages are not food products and are taxable. The type of tax due (sales tax or mixed beverage gross receipts tax) depends upon the type of permit held by the selling organization. Sales of alcoholic beverages, including beer, wine and mixers, are subject to the Texas 14 percent mixed beverage gross receipts tax when sold by a mixed-beverage permit holder, while sales of beer and wine made by a beer and wine only permit holder are subject to sales tax.

Nontaxable Sales

Some items are not subject to sales tax no matter who sells them.

Nontaxable Food Items

Sales tax is not due on nontaxable food items. Examples of such items include cookie dough, pizza kits, cheese spreads, meat sticks, jelly, salsa, fresh fruit and mixes packaged for preparation at home.

Magazine Subscriptions

Subscriptions to magazines entered as periodicals-class (formerly called second-class) mail and sold for six months or more are exempt from sales tax. Single issues and subscriptions for fewer than six months are taxable, however.

Bakery Items

Bakery products (including but not limited to pies, cakes, cookies, bagels and muffins) are exempt unless sold with plates or eating utensils.

Gift Certificates and Passbooks

Sales of intangibles such as gift certificates and coupon passbooks are not subject to sales tax. Instead, retailers should collect tax when the certificate or coupon is redeemed for the purchase of taxable merchandise or services. The tax is based on the item's actual retail selling price less any cash discount given at

the time of the sale (e.g., a deduction for a coupon). Of course, if the gift certificate is for a nontaxable service such as a haircut, manicure or facial, no sales tax is due when the certificate is redeemed. Taxable services are listed in "Taxable Services" (Tax Publication 96-259.)

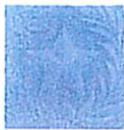
Car Washes

Washing a car is not a taxable service under the Texas Tax Code. Groups holding car washes are not required to collect tax on their charges for this service.

Amusement Services

The sale of an amusement service provided exclusively by a nonprofit organization, other than an IRS Section





School Fundraisers and Texas Sales Tax

501(c)(7) organization, is exempt from sales tax. For example, the sale of an admission ticket to a school carnival, dance, athletic event or musical concert is exempt.

Periodicals and Writings

Periodicals and writings (reading materials including those presented on audio tape, videotape and computer disk) are exempt from tax if published and distributed by a religious, philanthropic, charitable, historical, scientific or other similar organization not operated for profit. A "similar" organization must be organized for a benevolent purpose and must not be operated for profit. Similar organizations include PTAs, PTOs, PSAs and PTSOs, but exclude public and private education organizations.

This means that PTAs, PTOs, PSAs and PTSOs may publish and sell printed reading materials such as yearbooks, books, calendars, directories, magazines, brochures and newsletters without collecting sales tax. The qualifying organization may issue a properly completed resale certificate to the printer in lieu of paying tax on charges for printing, binding and item placement.

Items that contain printed materials that can be read and that primarily serve other purposes or functions, such as school logo t-shirts, bookmarks, photographs and novelties, are subject to sales tax *unless* sold during a qualifying and designated tax-free sale or auction.

School districts, schools and school groups, however, must collect tax on sales of printed reading materials unless the sale is designated as one of the organization's tax-free fundraisers.

Donations

A purchaser using personal funds may give an exemption certificate to vendors when buying taxable items

that will be donated to a qualifying organization, such as a school, before the individual makes any use of the items. The exemption certificate must state that the taxable item is being purchased by the individual for donation to an exempt organization and must clearly identify the organization accepting the a donation (see Tax Code Section 151.155[b]). If the purchaser makes use of the item before it is donated, the purchaser is responsible for paying or accruing tax on the item's purchase price.

Donations (gifts) of cash or taxable items or services made to an organization are not taxable sales unless the exempt organization gives the donor a taxable item in exchange for the donation, and the item is of proportionate or equal value to the donation.



Sales to Students

Generally, other than the exemptions previously identified, schools and associated groups must collect, report and remit sales tax on taxable items that they sell or taxable services they provide to others, including sales made to students.

Schools may issue a resale certificate in lieu of paying tax to suppliers when purchasing taxable items to sell. Schools may issue an exemption certificate in lieu of paying tax when purchasing taxable items for their use or for giving away to students or others as part of a course of instruction. A district must collect tax on the sales price of taxable items when selling them to students or to others.

For example, if a school sells uniforms, gloves and shoes to drill team members, it must collect tax on the sales unless it designates their sale as one of its two one-day tax-free sales. The school may purchase the uniforms tax-free for resale to the drill team members.

The table on the following page is a short list of examples of taxable and nontaxable sales.



SALES AND USE TAX BULLETIN

School Fundraisers and Texas Sales Tax

TAXABLE	NONTAXABLE
Rental of tangible personal property such as locks, musical instruments, calculators and computers	Rental of real property such as a gymnasium, auditorium, library or cafeteria
Horticultural products such as flower arrangements, roses, carnations, holiday greenery and poinsettias	Agricultural products (plants and seeds), the products of which ordinarily constitute food for human consumption
Cosmetology products such as shampoo, conditioner and nail polish sold to customers	Cosmetology services such as haircuts, shampoo, manicures and pedicures
Parking permits for the general public	Parking permits for public school students, faculty and staff
Animals that do not ordinarily constitute food or food products, such as hamsters, mice, cats and dogs	Farm animals such as pigs, cows, chickens and other livestock
Publications such as football, basketball or volleyball programs	Sales of advertising space in athletic programs, yearbooks, newspapers
Automobile repair parts (a separately stated charge for parts is taxable; a separately stated charge for repair labor is not taxable)	Automobile repair (a lump-sum charge for parts and labor)
Car carpet shampooing	Car washes
Magazines (single issue or subscription less than six months)	Magazine subscriptions for six months or longer

Need More Information?

For more information, see:

Rule 3.286, "Seller's and Purchaser's Responsibilities"

Rule 3.322, "Exempt Organizations"

Rule 3.293, "Food; Food Products; Meals; Food Service"

Rule 3.298, "Amusement Services"

Rule 3.299, "Newspapers, Magazines, Publishers, Exempt Writings"

Tax Publication 96-122, "Exempt Organizations: Sales and Purchases" — Frequently Asked Questions section provides information about school organizations applying for exemption from state taxes.

Tax Publication 96-259, "Taxable Services"

Please use our Texas Online Sales Tax Registration System to apply for a sales tax permit. An application also can be downloaded from our Tax Forms Online page. You can also obtain an application by calling (800) 252-5555 or by visiting one of our enforcement field offices.

For questions about an organization's Texas tax-exempt status, please use our Texas Tax-Exempt Entity Search, write to exempt.orgs@cpa.state.tx.us, or call Tax Assistance at (800) 531-5441 and ask for the Exempt Organizations Section.

For information on how to apply for federal exemptions, contact the U.S. Internal Revenue Service at (877) 829-5500 or online at <http://www.irs.gov/>.

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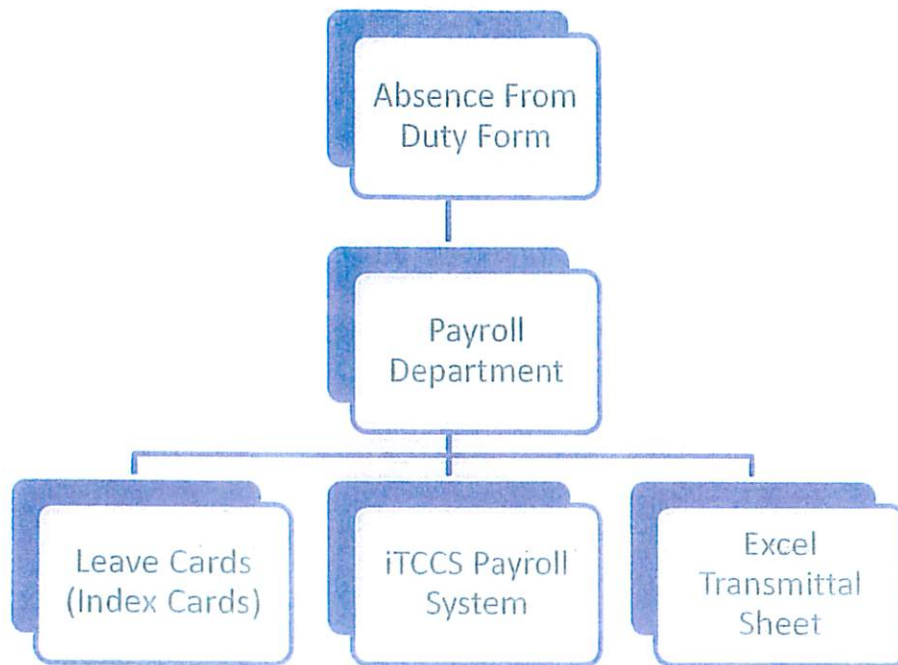


Figure 1 - Current Process



Figure 2 - Recommended Process

South San ISD – Overtime Pay Processing Workflow #23 Exhibit #4

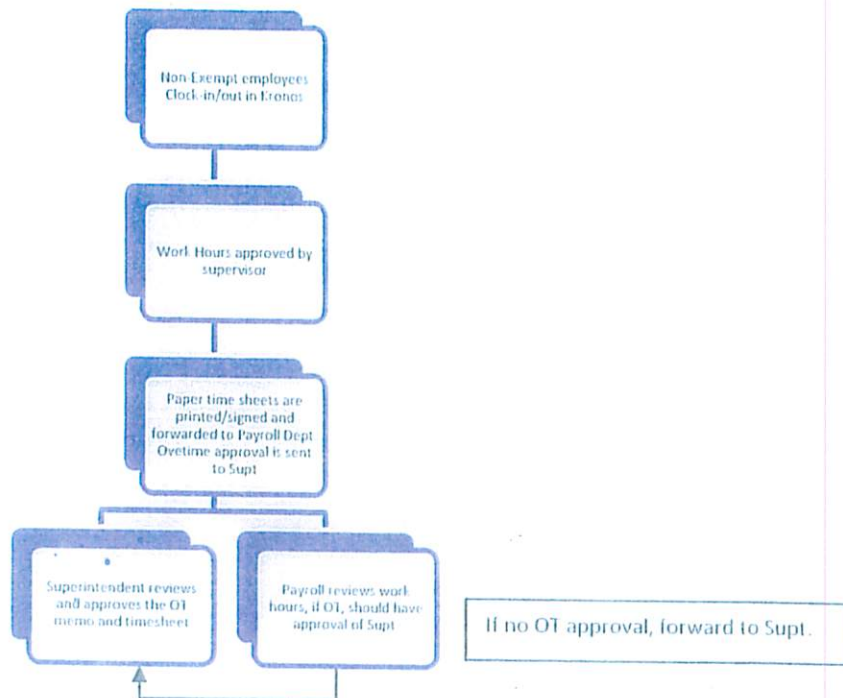


Figure 1 - Current Process

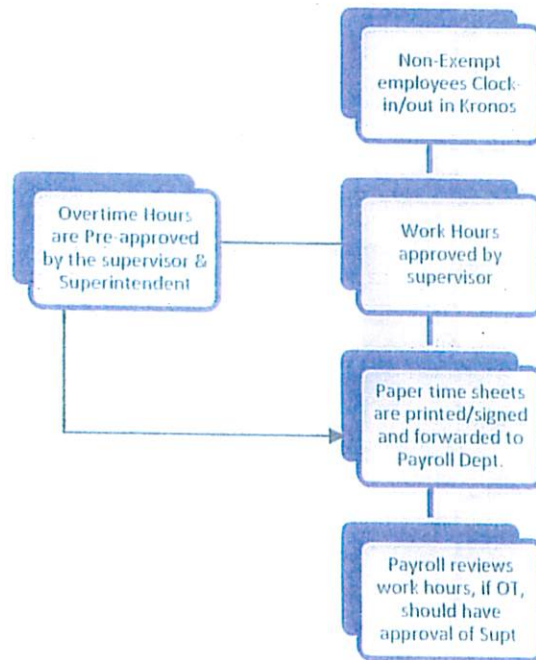


Figure 2 - Recommended Process

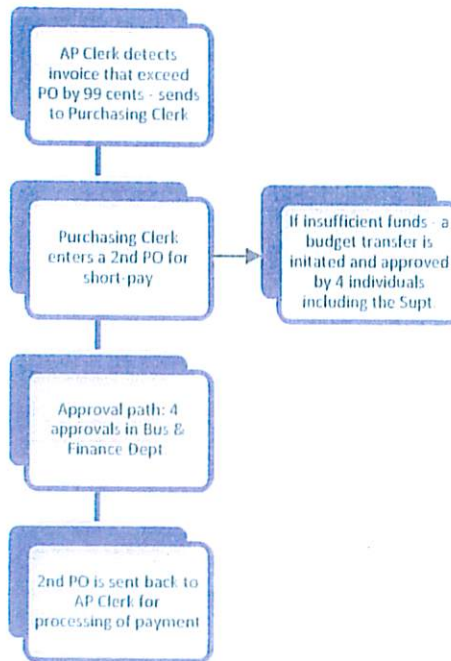


Figure 1 - Current Process

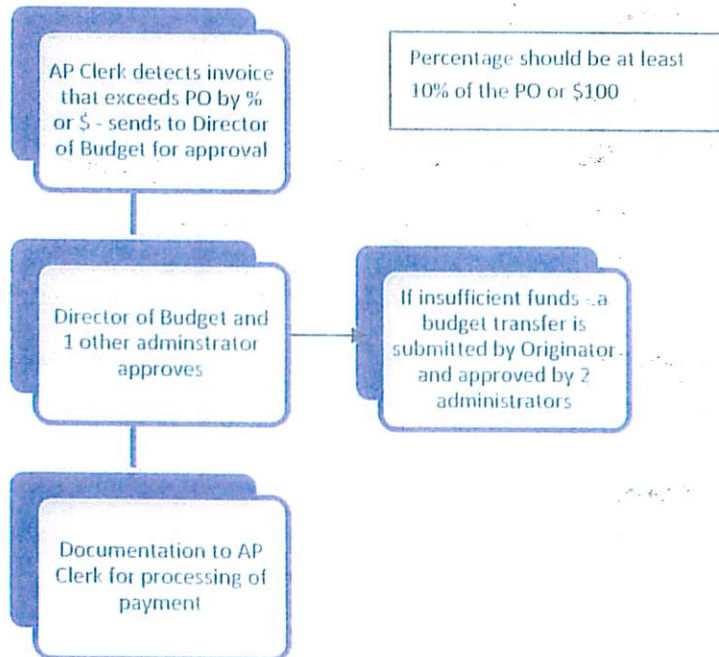


Figure 2 - Recommended Process

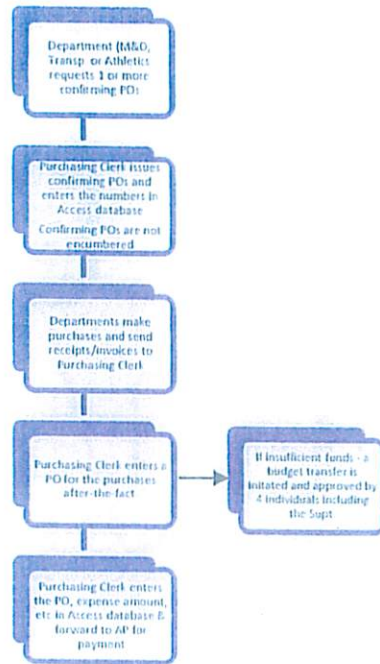


Figure 1 - Current Process

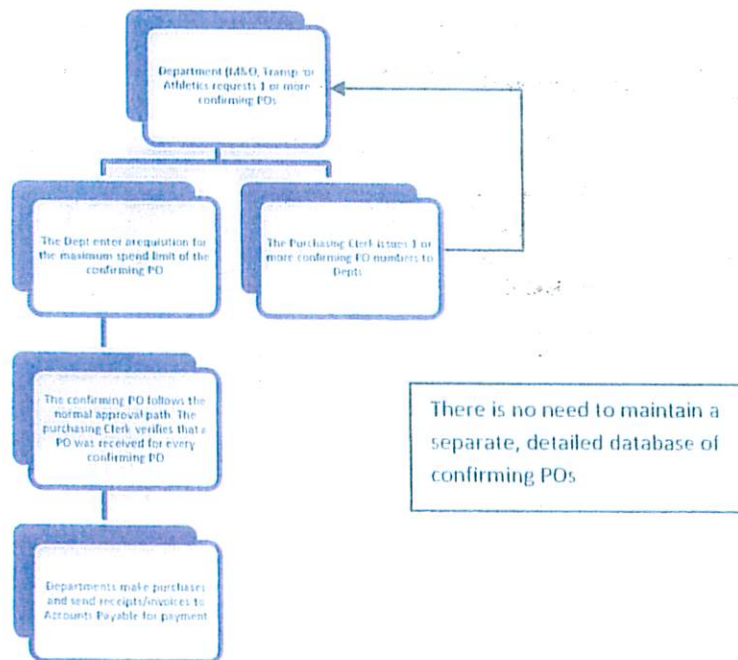


Figure 2 - Recommended Process

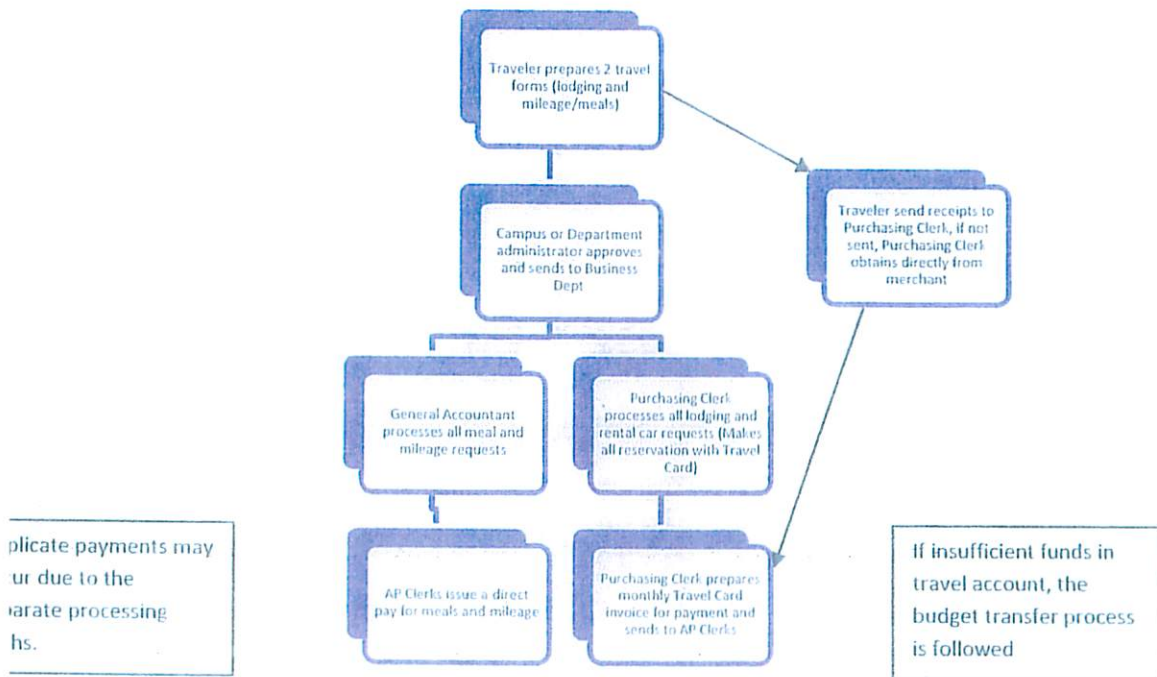


Figure 1 - Current Process

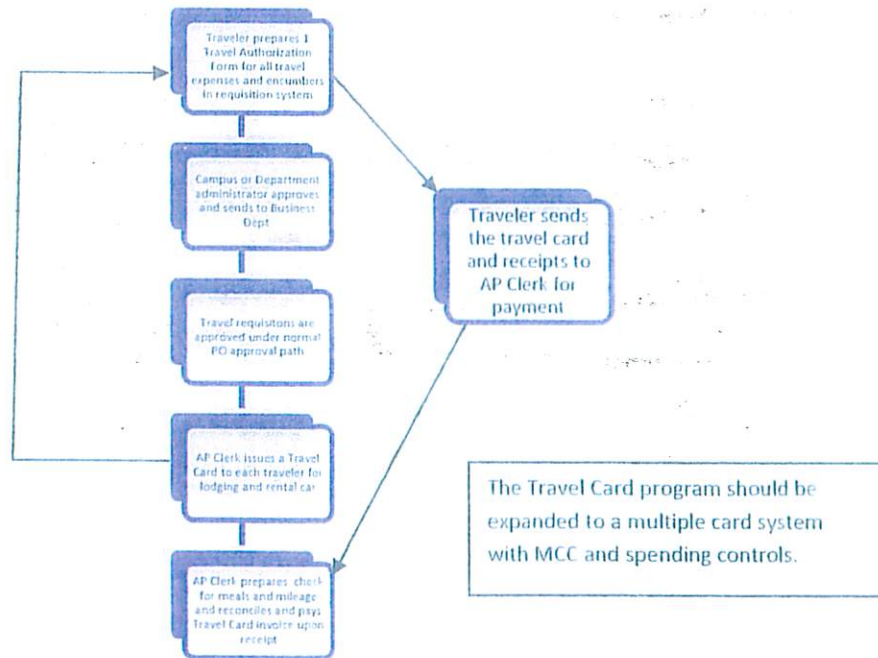


Figure 2 - Recommended Process

Waukegan Travis ISD
2006 Bond Program
Summary - Level 1 Current Month
March 31, 2009

	Original Budget	Amended Budget	Prior Revenues	Curr. Month Revenues	Total Resources	Amended Balance	Budget Difference
Resources							
Bond Proceeds	126,830,000	127,847,316	127,847,316.74	0.00	127,847,316.74	(0.74)	1,017,316.00
Interest Revenue	0	8,700,000	8,677,631.72	49,582.18	8,727,213.90	(27,213.90)	8,700,000.00
Interest Subject to Arbitrage Rebate	0	170,000	168,840.40	0.00	168,840.40	1,159.60	170,000.00
Other	0	557,946	557,320.26	1,960.50	559,280.76	(1,334.76)	557,946.00
Total Resources	126,830,000	137,275,262	137,251,109.12	51,542.68	137,302,651.80	(27,389.80)	10,445,262.00
Expenditures							
	Original Budget	Amended Budget	Prior Expended	Curr. Month Expend.	Total Expended	Amended Balance	Budget Difference
Appropriations							
Elementary School #5	15,875,000	16,456,029	16,254,415.61	9,918.89	16,264,334.50	191,694.50	581,029.00
Waukegan Travis Middle School	9,227,000	9,774,711	9,774,710.63	0.00	9,774,710.63	0.37	547,711.00
Madison Bend Middle School	3,098,000	3,745,910	3,711,826.20	0.00	3,711,826.20	34,083.80	647,910.00
Waukegan Travis High School	56,305,000	62,557,330	61,643,559.29	241,810.00	61,885,369.29	671,960.71	6,252,330.00
Transportation Facility/Warehouse	6,015,000	7,875,134	130,040.80	17,510.80	147,551.60	7,727,582.40	1,860,134.00
Stadium	1,135,000	1,217,666	1,216,861.16	0.00	1,216,861.16	804.84	82,666.00
Construction/Renovation	91,655,000	101,626,780	92,731,413.69	269,239.69	93,000,653.38	8,626,126.62	2,995.00
Elementary Upgrades/Renovations	1,052,750	1,148,210	1,042,914.85	0.00	1,042,914.85	105,295.15	95,460.00
Facility Maintenance Projects	1,621,180	339,240	189,534.30	0.00	189,534.30	149,705.70	(1,281,940.00)
Educational Development Center	570,000	570,000	110,000.00	0.00	110,000.00	460,000.00	0.00
Portables	390,000	380,202	360,201.98	0.00	360,201.98	20,000.02	(9,798.00)
District Upgrades	0.00	344,379.00	343,538.25	840.00	344,378.25	0.75	344,378.25
Small Renovation Improvements	3,633,930	2,782,031	2,046,189.38	840.00	2,047,029.38	735,001.62	(851,899.00)
Access Controls	229,200	164,058	131,681.95	0.00	131,681.95	32,376.05	(65,142.00)
Criminal Background Systems	17,500	11,948	11,948.48	0.00	11,948.48	(0.48)	(5,552.00)
Security Surveillance	50,000	260,106	199,707.56	0.00	199,707.56	60,398.44	210,106.00
Mechanical	121,000	121,000	0.00	0.00	0.00	121,000.00	0.00
Building Equipment	417,700	557,112	343,337.99	0.00	343,337.99	213,774.01	6,308.61
Instructional Books/Equipment	1,495,000	1,495,000	1,033,182.88	(65,574.29)	967,608.59	527,391.41	0.00
Technology	8,335,000	8,229,657	4,419,306.47	16,682.09	4,435,988.56	3,793,668.44	(105,343.00)
Transportation	2,505,000	2,505,000	1,610,043.00	16,230.00	1,626,273.00	878,727.00	0.00
Maintenance	333,370	327,370	221,058.42	0.00	221,058.42	106,311.58	(6,000.00)
Food & Nutrition Services	185,000	41,810	11,364.00	0.00	11,364.00	30,446.00	(143,190.00)
Other Equipment	12,853,370	12,598,837	7,294,954.77	(32,662.20)	7,262,292.57	5,336,544.43	(254,533.00)
Other	15,750,000	14,391,443	3,194,777.03	6,430.02	3,201,207.05	11,190,235.95	(1,358,557.00)
Bond Issuance Costs	1,975,000	1,006,932	1,006,933.60	0.00	1,006,933.60	(1.60)	(968,068.00)
General Fund Reimbursements	545,000	531,000	531,000.00	0.00	531,000.00	0.00	(14,000.00)
Interest Costs (Arbitrage)	0	170,000	0.00	0.00	0.00	170,000.00	170,000.00
Contingency	0	3,611,127	0.00	0.00	0.00	3,611,127.00	3,611,127.00
Other Costs/Contingencies	2,520,000	5,319,059	1,537,933.60	0.00	1,537,933.60	3,781,125.40	2,799,059.00
Total 2006 Bond Program	126,830,000	137,275,262	107,148,606.46	243,847.51	107,392,453.97	29,882,808.03	343,373.61
Balance	0	0	30,102,502.66	(192,304.83)	29,910,197.83	(29,910,197.83)	10,101,888.39

The expenditures do not include encumbrances, as on other schedules, so as to capture the actual expenditures for the month.

Other Equipment	12,853,370	12,598,837	1,263,199.37	2,291,234.38	3,068,653.32	639,205.50	7,262,292.57	173,274.17	7,435,566.74	5,163,270.26	(254,533)
90 Land	15,750,000	14,391,443	16,474.93	54,292.50	3,056,034.82	74,404.80	3,201,207.05	0.00	3,201,207.05	11,190,235.95	(1,358,557)
91 Bond Issuance Costs	1,975,000	1,006,932	582,075.19	424,858.41			1,006,933.60		1,006,933.60	(1.60)	(968,068)
92 General Fund Reimbursement:	545,000	531,000	531,000.00				531,000.00		531,000.00	0.00	(14,000)
93 Interest Costs (Arbitrage)	0	170,000					0.00		0.00	170,000.00	170,000
94 Contingency	0	3,611,127					0.00		0.00	3,611,127.00	3,611,127
Other Costs/Contingencies	2,520,000	5,319,059	1,113,075.19	424,858.41	0.00	0.00	1,537,933.60	0.00	1,537,933.60	3,781,125.40	2,799,059
Total 2006 Bond Program	126,830,000	137,275,262	17,315,641.23	50,869,978.43	36,802,835.90	2,403,998.41	107,392,453.97	237,794.66	107,630,248.63	29,645,013.37	343,374
Balance	0	0	58,855,516.96	7,808,223.33	(34,774,815.59)	(1,978,726.87)	29,910,197.83	(237,794.66)	29,672,403.17	(29,672,403.17)	10,101,888

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
ESTIMATED REVENUES, APPROPRIATED EXPENDITURES, OTHER RESOURCES AND USES, AND BALANCES
OFFICIAL BUDGET
2012-13 SCHOOL YEAR

	GENERAL FUND	FOOD SERVICE FUND	DEBT SERVICE FUND	TOTAL ALL FUNDS
REVENUE				
LOCAL, INTERMEDIATE, OTHER	\$ 68,300,651	\$ 2,503,773	\$ 25,059,893	\$ 95,864,317
STATE PROGRAM REVENUE	12,954,098	10,000		12,964,098
FEDERAL PROGRAM REVENUE	80,000	570,000		650,000
TOTAL REVENUES	\$ <u>81,334,749</u>	\$ <u>3,083,773</u>	\$ <u>25,059,893</u>	\$ <u>109,478,415</u>
EXPENDITURE				
INSTRUCTION	\$ 34,424,081	\$	\$	\$ 34,424,081
INSTRUCTIONAL RESOURCES	641,887			641,887
INSTRUCTIONAL STAFF DEVELOPMENT	514,277			514,277
INSTRUCTIONAL ADMINISTRATION	423,890			423,890
SCHOOL ADMINISTRATION	2,760,410			2,760,410
GUIDANCE AND COUNSELING	1,594,321			1,594,321
HEALTH SERVICE	529,050			529,050
PUPIL TRANSPORTATION-REGULAR	2,442,514			2,442,514
FOOD SERVICES	60,000	3,083,773		3,143,773
CO-CURRICULAR ACTIVITIES	1,930,262			1,930,262
GENERAL ADMINISTRATION	2,564,302			2,564,302
PLANT & MAINT OPERATIONS	7,133,682			7,133,682
SECURITY AND MONITORING	256,016			256,016
NON-INSTRUCTIONAL DATA PROCESSING	1,203,860			1,203,860
COMMUNITY EDUCATION	119,163			119,163
DEBT SERVICE	15,000		25,059,893	25,074,893
CONSTRUCTION	6,700			6,700
STATE TRANSFERS	26,665,334			26,665,334
RECAPTURE INCREMENTAL COSTS	250,000			250,000
SPECIAL ED TRANSFERS-DAY SCHOOL	15,000			15,000
JJAEP TRANSFERS	15,000			15,000
OTHER INTERGOVERNMENTAL CHARGES	200,000			200,000
TOTAL EXPENDITURES	\$ <u>83,764,749</u>	\$ <u>3,083,773</u>	\$ <u>25,059,893</u>	\$ <u>111,908,415</u>
OTHER RESOURCES AND (USES)				
OTHER RESOURCES	\$ 30,000	\$	\$	\$ 30,000
OTHER USES				0
TOTAL RESOURCES & USES	\$ <u>30,000</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>30,000</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER RESOURCES OVER EXPENDI- TURES AND OTHER USES	\$ (2,400,000)	0 0	\$ 0	\$ (2,400,000)
BEGINNING FUND BALANCE, 9/1	28,701,712	16,248	4,773,285	33,491,245
ENDING FUND BALANCE, 8/31	\$ <u>26,301,712</u>	\$ <u>16,248</u>	\$ <u>4,773,285</u>	\$ <u>31,091,245</u>

The Official Budget for this district for the school year 2012-13 was adopted at a meeting of the Board of School Trustees on August 21, 2012 as evidenced in the School Board minutes. I certify, to the best of my knowledge, that the budget preparation and adoption is in accordance with provisions applicable to the Education Code. The Schedules of Special Revenue Funds and Internal Service Funds and Enterprise Funds are an addendum for informational purposes.

President, Board of Trustees

Secretary, Board of Trustees