

DRIPPING SPRINGS
Independent School District

**Annual Financial
Accountability Management
Report**

**2022-2023 Rating
2021-2022 Fiscal Year Data**

Dripping Springs

INDEPENDENT SCHOOL DISTRICT

Dripping Springs Independent School District Annual Financial Accountability Management Report

Introduction

The primary goal of Schools FIRST (Financial Accountability Rating System of Texas) is to assess the quality of financial management in Texas Public Schools. This is the 20th year of the School FIRST, a financial accountability system developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999.

The Schools FIRST report underwent sweeping changes under HB 5 of the 83rd Texas Legislature in 2013. Those changes required the Commissioner of Education to include processes in the financial accountability rating system for anticipating the future financial solvency of each school district and open enrollment charter school. The Commissioner's Rule for School FIRST changes under HB 5 were finalized and implemented by the Texas Education Agency in August 2015 and were phased-in over three years.

During the phase-in period, the new School FIRST system had separate worksheets for rating years 2014-2015, 2015-2016, and 2016-2017 and subsequent years. The worksheet for rating year 2014-2015 contained only 7 indicators as opposed to the 20 indicators used in 2013-2014. The worksheets for rating years 2015-2016 and 2016-2017 increased to 15 indicators. The ratings for years 2017-2018 through 2019-2020 use the same 15 indicators. In addition, the worksheets for rating years 2016-2017 and beyond require higher scores for select ratings compared to the worksheet for rating year 2015-2016.

The Schools FIRST rating system for the rating year 2022-2023 (based on 2021-2022 data) consists of 20 base indicators with 5 critical indicators, 9 indicators related to solvency and 6 indicators related to financial competence. For this rating year, three indicators were not scored by the TEA. Points are more difficult to earn and are subject to ceilings based on how a district performs under the indicator.

The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts: "A" for "Superior"; "B" for "Above Standard"; "C" for "Meets Standard"; and "F" for "Substandard Achievement." Failure to pass any of the four critical indicators results in an automatic rating of "F" regardless of points earned on the remaining indicators. Districts that receive the "Substandard Achievement" rating under Schools FIRST must file a corrective action plan with the TEA.

Legislative rules require the district to present a FIRST management report that includes the following: a) The district's financial management performance rating provided by the Texas Education Agency based on its comparison with indicators established by the

Commissioner of Education for the state's new Financial Accountability System; b) The district's financial management performance under each indicator for the current and previous years' financial accountability ratings; and c) Additional information required by the Commissioner of Education. In addition, the district must advertise and hold a public meeting to discuss the report.

The District's 2022-2023 School FIRST rating is based upon an analysis of data reported for the 2021-2022 school year. This information is submitted through the District's annual PEIMS (Public Education Information Management System) submissions and through submission of the annual financial statements. In addition to covering the results from the Schools FIRST accountability rating system, this report covers other business-related issues including discussion of the District's financial position. A glossary is added to provide additional explanations of terms used in the report and in financial discussions.

For the first 12 years of the reporting system, Dripping Springs ISD received ratings of **"Superior Achievement"**. A significant change under HB 5 in 2013 was to move to a rating scale of simply **"Pass"** or **"Fail"**. For the 2014-2015 rating year, Dripping Springs ISD was rated as **"Pass"** and achieved a score of 30 out of 30 with positive responses to each of the 7 indicators on the worksheet. For all years since 2014-2015, the district has received an **"A"** rating. During the 2021-2022 rating year, Dripping Springs ISD was assigned a rating of **"C"**. For the current rating year, 2022-2023, Dripping Springs ISD was again assigned a rating of **"A"**, **"Superior Achievement"** with a score of 90. The district did not receive the full 100 points due to failure to meet the requirements under Indicator 18.

Indicator 18 asks: "Did the external independent auditor indicate that the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?" For the 2021-2022 fiscal year, the auditor's report noted noncompliance material to the financial statements and significant deficiency in internal control over financial reporting for expenditures in excess of appropriations. For the year ended June 30, 2022, the auditor's report noted that the district did not adopt sufficient legal appropriations for the General Fund expenditures as overall actual expenditures were \$2.0 million dollars over legally adopted appropriations and \$5.1 million dollars in function 11. The District also did not adopt sufficient appropriations in the Debt Service Fund as actual expenditures exceeded legally adopted appropriations by \$5.2 million dollars. The district scored 90 points out of 100 on all other indicators.

**Required Disclosures for
Dripping Springs Independent School District
2022-2023 FIRST Rating
October 23, 2023**

Required Supplementary Information

The District's annual financial management report must include specific disclosures regarding the superintendent's contract, reimbursements received by the superintendent and board members and other compensation and gifts received. This information is being presented below to comply with the requirements.

Superintendent's Current Employment Contract

A copy of the superintendent's current employment contract at the time of the School FIRST hearing is to be provided. In lieu of publication in the annual School FIRST financial management report, the school district may choose to publish the superintendent's employment contract on the school district's internet site. If published on the internet, the contract is to remain accessible for twelve months.

A copy of the superintendent's current employment contract is published on the district's internet site.

Reimbursements Received by the Superintendent and Board Members

A summary schedule for the twelve-month period of total reimbursements received by the superintendent and each board member is to be included in the annual financial management report. All reimbursement expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. The summary schedule is to report separately items per category including:

Meals – Meals consumed off of the school district's premises, and in-district meals at area restaurants (outside of board meetings, excludes catered board meeting meals);

Lodging – Hotel charges for district related business;

Transportation – Airfare, car rental (can include fuel on rental), taxis, mileage reimbursements, leased cars, parking and tolls);

Motor fuel – Gasoline for district related business;

Other – Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board members not defined above.

The disclosure of reimbursements received by the Superintendent and Board Members is provided within this report.

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

A summary schedule for the fiscal year of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services is to be reported.

The disclosure of outside compensation received by the Superintendent for professional consulting and/or other personal services is provided within this report.

Gifts Received by Executive Officers and Board Members

An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification for local officials.

The disclosure of gifts received by Executive Offices and Board Members is provided within this report.

Business Transactions Between School District and Board Members

Finally, a summary schedule for the fiscal year of the dollar amount by board member for the aggregate amount of business transactions with the school district is to be included. This reporting requirement is not to duplicate the items disclosed in the schedule of reimbursements.

The disclosure of business transactions between the school district and Board Members is provided within this report.

Dripping Springs Independent School District



Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2021-2022

For the Twelve-Month Period Ended June 30, 2022	Superintendent	Board Members								
	<i>Dr. Holly Morris-Kuentz</i>	<i>Dr. Mary Jane Hetrick</i>	<i>Marisa Grijalva</i>	<i>Shannon O'Conner</i>	<i>Joanna Day</i>	<i>Dr. Stefani Reinold</i>	<i>Ron Jones</i>	<i>Barbara Stroud</i>	<i>Tricia Quintero</i>	<i>Olivia Barnard</i>
Description of Reimbursements										
Meals	\$ 312.00	\$ -	\$ -	\$ -	\$ 108.00	\$ -	\$ -	\$ 32.77	\$ -	\$ -
Lodging	2,235.62	2,066.22	-	518.07	717.06	-	511.04	1,272.46	925.44	236.30
Transportation	-	-	-	-	-	-	-	-	-	-
Motor Fuel	603.48	-	-	-	-	-	-	243.04	-	-
Other-Registrations	4,243.00	885.00	425.00	560.00	425.00	425.00	425.00	885.00	460.00	460.00
Total	\$ 7,394.10	\$ 2,951.22	\$ 425.00	\$ 1,078.07	\$ 1,250.06	\$ 425.00	\$ 936.04	\$ 2,433.27	\$ 1,385.44	\$ 696.30

Dripping Springs Independent School District

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2021-2022



For the Twelve-Month Period Ended June 30, 2022	Superintendent
	<i>Dr. Holly Morris-Kuentz</i>
Description of Compensation	
	\$ -
Total	\$ -

Dripping Springs Independent School District



Gifts Received by the Superintendent and Board Members (and first degree relatives, if any) for Fiscal Year 2021-2022

For the Twelve-Month Period Ended June 30, 2022	Superintendent	Board Members								
	Dr. Holly Morris-Kuentz	Dr. Mary Jane Hetrick	Marisa Grijalva	Shannon O'Conner	Joanna Day	Dr. Stefani Reinold	Ron Jones	Barbara Stroud	Tricia Quintero	Olivia Barnard
Description of Gifts										
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Dripping Springs Independent School District



Business Transaction between School District and Superintendent and Board Members for Fiscal Year 2021-2022

For the Twelve-Month Period Ended June 30, 2022	Superintendent	Board Members								
	<i>Dr. Holly Morris-Kuentz</i>	<i>Dr. Mary Jane Hetrick</i>	<i>Marisa Grijalva</i>	<i>Shannon O'Conner</i>	<i>Joanna Day</i>	<i>Dr. Stefani Reinold</i>	<i>Ron Jones</i>	<i>Barbara Stroud</i>	<i>Tricia Quintero</i>	<i>Olivia Barnard</i>
Description of Business Transactions										
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Financial Accountability Ratings Worksheet
Dripping Springs Independent School District
2022-2023 FIRST Rating
October 23, 2023**

School District FIRST Rating
Financial Integrity Rating System of Texas
Dripping Springs Independent School District
2022 - 2023 Rating based on 2021 - 2022 Data

State Indicator	Indicator Background	Passed or Total Points Avail.	DSISD 21-22 Result
<p>1. Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</p> <p>Additional Information: Dripping Springs ISD's Fiscal Year end date was June 30 which means the November deadline is applicable to Dripping Springs ISD. TEA received the audit report on November 18, 2022 which was within the deadline of November 27.</p>	<p>Was the Annual Financial Report filed with TEA by the deadline?</p>	Yes	Yes
<p>2. Was there an Unmodified Opinion in the AFR on the financial statements as a whole? <i>(The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</i></p> <p>Additional Information: Whitley Penn, L.L.P., the District's external auditors, issued an unmodified opinion for the year ending June 30, 2022.</p>	<p>A "modified" version of the auditor's opinion in the annual audit report means that there are corrections needed in reporting or financial controls. A district's goal, therefore, is to receive an "unmodified opinion" on its Annual Financial Report. This is a simple "Yes" or "No" indicator.</p>	Yes	Yes
<p>3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? <i>(If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</i></p> <p>Additional Information: Dripping Springs ISD has never defaulted on any of its bond indebtedness obligations. Payments on all debt agreements were made timely.</p>	<p>This indicator seeks to make certain the district has timely paid all bills/obligations, including financing arrangements to pay for school construction, school buses, photocopiers, etc.</p>	Yes	Yes
<p>4. Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? <i>(If the school district received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments and will fail critical indicator 4. If the school district was issued a warrant hold, the maximum points and highest rating that the school district may receive is 95 points, A = Superior Achievement, even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days.)</i></p> <p>Additional Information: Dripping Springs ISD is current on all payroll liabilities and payments to other agencies were made timely.</p>	<p>This indicator seeks to make sure the district fulfilled its obligation to the TRS, TWC and IRS to transfer payroll withholdings and to fulfill any additional payroll-related obligations required to be paid by the district.</p>	Yes	Yes
5. This indicator is not being scored.		N/A	N/A
<p>6. Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures? <i>(If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</i></p>	<p>This indicator measures the percentage change in fund balance to see whether the fund balance is declining too quickly, and if it is declining, whether sufficient fund balance remains to operate for at least 75 days.</p>	Yes	Yes

Additional Information: <i>The District passed the Indicator as fund balanced increased over the three year period and the assigned and unassigned fund balance of \$46 million exceeded 75 days of expenditures (\$17.1 million).</i>			
7.	Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? Additional Information: <i>Points are earned based on where the District's ratio falls on a sliding scale. To achieve the full 10 points assigned to this measure, the District's cash on hand and current investments must exceed 90 days. For the 2021-2022 period, the District's cash on hand and current investments was equivalent to 256 days.</i>	This indicator measures how long in days after the end of the fiscal year the school district could have disbursed funds for its operating expenditures without receiving any new revenues. Did the district meet or exceed the target amount in School FIRST?	10
8.	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? Additional Information: <i>Points are earned based on where the district's ratio falls on a sliding scale. The District's ratio of current assets to current liabilities was 3.439 which exceeded the minimum ratio of 3.0 to earn the full 10 points.</i>	This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. Did the district meet or exceed the target amount in School FIRST?	10
9.	Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days? Additional Information: <i>For 2021-2022, general fund revenues exceeded expenditures and the number of days of cash on hand was 256.</i>	This indicators ask simply "did the district spend more than it earned?" If the district had at least 60 days cash on hand the indicator is automatically passed.	10
10.	This indicator is not being scored.		10
11.	Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's increase of students in membership over 5 years was 7 percent or more, then the school district automatically passes this indicator.) Additional Information: <i>Points are earned based on where the district's ratio falls on a sliding scale. While total assets exceeded the District's long-term liabilities, the District's student membership also increased by 18.15% for the five year period between 2018 and 2022.</i>	This indicator questions the district's debt to "market value" of the assets that debt is attributable to. This indicator recognizes that fast-growth districts incur additional operating costs to open new campuses.	10
12.	What is the correlation between future debt requirements and the district's assessed property value? Additional Information: <i>Points are earned based on a range. To earn the maximum 10 points, a district's ratio of debt per \$100 of assessed property value must be under 4. The District's ratio of debt per \$100 of property value was 3.8225.</i>	This indicator asks about the school district's ability to make debt principal and interest payments.	10
13.	Was the school district's administrative cost ratio equal to or less than the threshold ratio? Additional Information: <i>Points are earned based on where the district's ratio falls on a sliding scale. To achieve the full 10 points assigned to this measure, the district's administrative cost ratio must be below 10%. The District's administrative cost ratio for the year measured was 8.34%.</i> <i>The State of Texas establishes limits on the amount of money school districts are allowed to spend on administrative costs. The limit is set as a ratio of administrative costs to instructional costs and is titled the "Administrative Cost Ratio". Administrative costs are defined as Instructional Leadership and General Administration. Instructional Leadership includes costs to provide leadership for staff and all instructional services. This excludes campus leadership. General Administration includes costs for managing the school district as an overall entity.</i>	This indicator measures the percentage of a district's budget that was spent on administration. Did the district exceed the cap in School FIRST for districts its size?	10
14.	This indicator is not being scored.		10
15.	This indicator is not being scored.		5

16.	<p>Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function? <i>(If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</i></p> <p>Additional Information: There were no significant differences between the Annual Financial Report and the PEIMS financial data.</p>	<p>This indicator measures the quality of data reported to PEIMS and in the Annual Financial Report to make certain that the data reported in each case "matches up." If the difference in numbers reported in any fund type is more than 3 percent, the district "fails" this measure.</p>	Yes	Yes
17.	<p>Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.) <i>(If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.)</i></p> <p>Additional Information: Whitley Penn, L.L.P., the District's external auditors for 2021-2022, reported no material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds.</p>	<p>A clean audit of the Annual Financial Report would state the district has no material weaknesses in the internal controls. Any internal weaknesses create a risk of the district not being able to properly account for its use of public funds, and should be immediately addressed. If the district fails this indicator, the maximum points and highest rating the district may receive is 79 points and a C, which is equal to above standard achievement.</p>	Yes	Yes
18.	<p>Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? <i>(The AICPA defines material noncompliance.)</i></p> <p>Additional Information: Whitley Penn, L.L.P., the District's external auditors for 2021-2022, reported noncompliance material to the financial statements and significant deficiency in internal control over financial reporting for expenditures in excess of appropriations. For the year ended June 30, 2022, the auditor's report noted that the district did not adopt sufficient legal appropriations for the General Fund expenditures as overall actual expenditures were \$2.0 million dollars over legally adopted appropriations and \$5.1 million dollars in function 11. The District also did not adopt sufficient appropriations in the Debt Service Fund as actual expenditures exceeded legally adopted appropriations by \$5.2 million dollars.</p>	<p>This indicator measures whether the district is complying with laws, rules and regulations related to the expenditure of grant funds, contracts, and other state and federal funds.</p>	10	0
19.	<p>Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?</p> <p>Additional Information: The District posted required financial information in compliance with the law.</p>	<p>This indicator measures whether the district is complying with legal requirements related to financial transparency by posting all required information.</p>	5	5
20.	<p>Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget? <i>(If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</i></p> <p>Additional Information: As part of the budget adoption process, the District's property values are discussed throughout the spring months in various detail.</p>	<p>This indicator measures whether the school board had the opportunity to consider the impact of changes in property value on the finances of the district. If the district fails this indicator, the maximum points and highest rating a district may receive is 89 points and a B, which is equal to above standard achievement.</p>	Yes	Yes
Total Points Available/Earned			100	90

GLOSSARY

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

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

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

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

- The General Fund
- Special Revenue Funds (Federal Programs, Federally Funded Shared Services, State Programs, Shared State/Local Services, Local Programs)
- Debt Service Funds
- Capital Projects Funds

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

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

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

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

Budget: The projected financial data for the current school year. Budget data are collected for the General Fund, Food Service Fund, and Debt Service Fund.

Budgeting: Not later than June 20 of each year, the superintendent (or designee) must prepare a budget for the school district if the fiscal year begins on July 1. (For those districts with fiscal years beginning September 1, this date would be August 20.) The legal requirements for funds to be budgeted are included in the Budgeting module of the TEA Resource Guide. The budget must be adopted before expenditures can be made, and this adoption must be prior to the setting of the tax rate for the budget year. The budget must be itemized in detail according to classification and purpose of expenditure, and must be prepared according to the rules and regulations established by the state board of education. The adopted budget, as necessarily amended, shall be filed with TEA through the Public Education Information Management System (PEIMS) as of the date prescribed by TEA.

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

Capital Project Funds: Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

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

Comptroller Certified Property Value: The District's total taxable property value as certified by the Comptroller's Property Tax Division (Comptroller Valuation) and used for state funding purposes.

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

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

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

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

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

Effective Tax Rate: Represents the tax rate which generates the same revenue as in the previous year, using current year property values.

Ending Fund Balance: The amount of unencumbered surplus fund balance reported by the District at the end of the specified fiscal year. For most school districts, this will be equivalent to the fund balance at the beginning of the next fiscal year.

Excess (Deficiency): Represents receivables due (excess) or owed (deficiency) at the end of the fiscal year.

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

Federal Revenues: Revenues paid either directly to the District or indirectly through a local or state government entity for federally-subsidized programs including the School Breakfast Program, National School Lunch Program, and School Health and Related Services Program.

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

Foundation School Program (FSP) Status: The shared financial arrangement between the state and the school district, where property taxes are blended with revenues from the state to cover the cost of basic and mandated programs. The nature of this arrangement falls in one of the following status categories: Regular, Special Statutory, State Administered, Education Service Center, or Open Enrollment Charter School District.

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

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

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

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

General Administration: The amount spent on managing or governing the school district as an overall entity.

General Fund: This fund finances the fundamental operations of the District in partnership with the community. All revenues and expenditures not accounted for by other funds are included. This is a budgeted fund and any fund balances are considered resources available for current operations.

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

Incremental Costs: The amount spent by a school district with excess wealth per Weighted Average Daily Attendance (WADA) on the purchase of attendance credits either from the state or from other school district(s).

Instruction: The amount spent on direct classroom instruction and other activities that deliver, enhance or direct the delivery of learning situations to students regardless of location or medium.

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

Intergovernmental Charges: "Intergovernmental" is a classification used when one governmental unit transfers resources to another. In particular, when a Revenue Sharing District purchases WADA or where one school district pays another school district to educate transfer students.

Investments in Capital Assets, Net of Related Debt: One of three components of net position that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

Local & Intermediate Revenues: All revenues from local taxes and other local and intermediate revenues. For specifics, see the definitions for Local Tax and Other Local & Intermediate Revenues.

Local Tax: This is all revenues from local real and personal property taxes, including recaptured funds from 1) Contracted Instructional Services Between Public Schools and 2) Incremental Costs associated with Chapter 49 of the Texas Education Code.

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

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

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

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

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

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

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

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

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

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

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

Other Resources: Non-operating revenues received, sale of property, bonds issued or residual equity transfers in.

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

Payroll: Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school district. (NOTE: Payroll amounts do not include salaries for contract workers employed by outsource companies, e.g., for child nutrition and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)

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

Plant Maintenance & Operations: The amount spent on the maintenance and operation of the physical plant and grounds and for warehousing.

Property/Refined ADA: The District's Comptroller Property Value divided by its total Refined Average Daily Attendance (RADA).

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

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

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

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

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

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

State Revenues: Revenues realized from the TEA, other state agencies, shared services arrangements, or allocated on the basis of state laws relating to the Foundation School Program Act.

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

Unmodified Opinion: Term used in connection with financial auditing. An unmodified independent auditor's opinion means there are no stated exceptions to the auditor's general assertion that the district's financial statements present fairly the financial information contained according to generally accepted accounting principles.

Unrestricted Net Position Balance: Unrestricted net position balance refers to the portion of total net position that is neither invested in capital assets nor restricted.

Voter Approval Tax Rate: The M&O portion of the rollback tax rate allows school districts to add five cents (\$0.05) to the lesser of the prior tax year compressed operating tax rate or the effective M&O rate to generate operating funds. School districts will get to add to the compressed operating rate any additional cents approved by voters at a 2006 or subsequent rollback election. The rollback rate is the highest rate that the taxing unit may adopt before an election is required.

WADA: Weighted Average Daily Attendance (WADA) is used to measure the extent students are participating in special programs. The concept of WADA in effect converts all of a school district's students with their different weights to a calculated number of regular students required to raise the same amount of revenue. The greater the number of students eligible for special entitlements, the greater a school district's WADA will be.

Wealth Equalization Transfer: The amount budgeted by districts for the cost of reducing their property wealth to the required equalized wealth level (sometimes referred to as Robin Hood Funds).