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Section One



PEARLAND ISD

John P. Kelly, Ph.D.
Superintendent

August 13, 2013

Board of Trustees
Pearland Independent School District

Dear Members of the Board:

The Texas Education Agency has notified Pearland ISD that it has received the “*Superior Achievement*” rating under Schools FIRST (Financial Accountability Rating System of Texas) for the 2011-2012 school year. “*Superior Achievement*” is the state’s highest rating under the financial rating system.

The Texas Education Agency developed the Schools FIRST program for public schools in response to Senate Bill 875 of the 76th Texas Legislature in 1999 and Senate Bill 218 of the 77th Legislature in 2001. The rating system attempts to measure the quality of performance in managing the financial resources of school districts, a notable goal considering the complexity of the public school finance system. The primary goals of Schools First are to:

- Efficiently assess the quality of financial management in Texas public schools
- Measure and report the extent to which financial resources in Texas public schools assure the maximum allocation possible for direct instructional purposes
- Implement a rating system that fairly and equitably evaluates the quality of financial management decisions
- Improve the management of school districts’ financial resources
- Increase financial accountability within Texas’ public education system

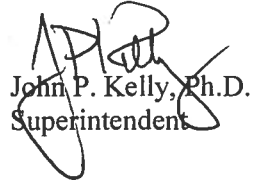
Every public school district receives one of four possible financial accountability ratings under Schools FIRST. The highest rating is “Superior Achievement” followed by “Above-Standard Achievement,” “Standard Achievement,” and “Substandard Achievement.” Districts with serious data quality problems, however, may receive the additional rating of “Suspended Due to Data Quality.” Districts that receive this rating or “Substandard Achievement” must file a corrective action plan with TEA.

FIRST ratings are based on analysis of staff and student data for the school year and on budgetary and actual financial data for the fiscal year. Two measurement vehicles, the Annual Financial Report and the Public Education Information Management System (PEIMS), provide Schools FIRST with most of the measurement data from which the ratings are calculated.

Ratings are based on an aggregate number of points and answers to critical indicators. There is a five point scale for most indicators. A “No” response in any of the criteria numbered 1 through 4 or in criteria numbered 5 and 6 together automatically result in a rating of Substandard Achievement. Pearland ISD scored a perfect 70 out of a possible 70 on the financial accountability worksheet. A score of 64 was required for the rating of Superior Achievement, the state’s highest rating.

Schools FIRST program ensures that Texas school districts not only take responsibility for student learning but also achieve efficient, cost-effective instructional gains. Pearland ISD's officials will use this year's rating as a guide in their continuing efforts to maximize taxpayer dollars while reinforcing that the district uses the soundest business practices.

Sincerely,



John P. Kelly, Ph.D.
Superintendent

Section Two

User: Donald Marshall
 User Role: District

FIRST RATING FOR FISCAL YEAR 2011-2012 Help Home Log Out



Financial Integrity Rating System of Texas

2011-2012 DISTRICT STATUS DETAIL

Name: PEARLAND ISD(020908)	Publication Level 1: 6/21/2013 3:05:18 PM
Status: Passed	Publication Level 2: None
Rating: Superior Achievement	Last Updated: 6/21/2013 3:05:18 PM
District Score: 70	Passing Score: 52

#	Indicator Description	Updated	Score
1	<u>Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?</u>	4/26/2013 4:30:49 PM	Yes
2	<u>Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)</u>	4/26/2013 4:30:50 PM	Yes
3	<u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u>	4/26/2013 4:30:50 PM	Yes
4	<u>Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?</u>	4/26/2013 4:30:50 PM	Yes
5	<u>Was There An Unqualified Opinion in Annual Financial Report?</u>	4/26/2013 4:30:50 PM	Yes
6	<u>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</u>	4/26/2013 4:30:51 PM	Yes
			1 Multiplier

			Sum
7	<u>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</u>	4/26/2013 4:30:51 PM	5
8	<u>Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?</u>	4/26/2013 4:30:52 PM	5
9	<u>Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)</u>	4/26/2013 4:30:52 PM	5
10	<u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u>	4/26/2013 4:30:52 PM	5
11	<u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</u>	4/26/2013 4:30:53 PM	5
12	<u>Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?</u>	4/26/2013 4:30:53 PM	5
13	<u>If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)</u>	4/26/2013 4:30:53 PM	5
14	<u>Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivable) In The General Fund Greater Than Or Equal To 1:1? (If Deferred Revenues Are Less Than Net Delinquent Taxes Receivable)</u>	4/26/2013 4:30:54 PM	5
15	<u>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</u>	4/26/2013 4:30:54 PM	5
16	<u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u>	4/26/2013 4:30:54 PM	5
17	<u>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</u>	4/26/2013 4:30:55 PM	5

18	<u>Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If Total Revenues > Operating Expenditures In The General Fund,Then District Receives 5 Points)</u>	4/26/2013 4:30:55 PM	5
19	<u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u>	4/26/2013 4:30:55 PM	5
20	<u>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?</u>	4/26/2013 4:30:56 PM	5
			70 Weighted Sum
			1 Multiplier Sum
			70 Score

DETERMINATION OF RATING

A.	Did The District Answer 'No' To Indicators 1, 2, 3 Or 4? OR Did The District Answer 'No' To Both 5 and 6? If So, The District's Rating Is Standard Achievement .		
B.	Determine Rating By Applicable Range For summation of the indicator scores (Indicators 7-20)		
	Superior Achievement	64-70	
	Above Standard Achievement	58-63	
	Standard Achievement	52-57	
	Substandard Achievement	<52	

INDICATOR 16 & 17 RATIOS

Indicator 16	Ranges for Ratios		Indicator 17	Ranges for Ratios	
	Low	High		Low	High
District Size - Number of Students Between			District Size - Number of Students Between		
< 500	7	22	< 500	5	14

500-999	10	22	500-999	5.8	14
1000-4999	11.5	22	1000-4999	6.3	14
5000-9999	13	22	5000-9999	6.8	14
=> 10000	13.5	22	=> 10000	7.0	14

OPTIONS

Update Unpassed	Update All	Lower Publication Level
Raise Publication Level	Suspend	Suspension Reason.

Audit Home Page: [School Financial Audits](#) | Send comments or suggestions to schoolaudits@tea.state.tx.us

THE **TEXAS EDUCATION AGENCY**
 1701 NORTH CONGRESS AVENUE · AUSTIN, TEXAS, 78701 · (512) 463-9734

Section Three

School FIRST Annual Financial Management Report

1. Superintendent's Current Employment Contract

A copy of the superintendent's employment contract is available on the school district's Internet site.

2. Reimbursements Received by the Superintendent and Board Members

For the Twelve-Month Period
Ended August 31, 2012

Description of Reimbursements	*Superintendent	Board							
		Member 1	Member 2	Member 3	Member 4	Member 5	Member 6	Member 7	
Meals	\$ 80.00	\$ 20.00	\$ 240.15	\$ 77.81	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
Lodging	3,997.50	412.02	748.29	427.50	-	641.25	-	-	897.91
Transportation	73.92	223.74	237.54	265.10	-	287.90	-	-	74.82
Motor Fuel	-	-	-	-	-	-	-	-	-
Other	6,340.60	82.14	239.09	162.14	142.14	187.14	142.14	142.14	164.02
Total	\$ 10,492.02	\$ 737.90	\$ 1,465.07	\$ 932.55	\$ 162.14	\$ 1,136.29	\$ 162.14	\$ 162.14	\$ 1,156.75

* The Superintendent was awarded \$15,000 for reasonable and customary moving and temporary housing expenses within the Superintendent's employment contract. Of the \$10,492.02 expended by the Superintendent, \$7,195.60 was expended for moving and temporary housing in the 2011-2012 fiscal year.

All "reimbursements" expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. Items to be reported per category include:

Meals -- Meals consumed out of town, and in-district meals at area restaurants (outside of board meetings, excludes catered board meeting meals).

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

Motor fuel -- Gasoline.

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

School FIRST Annual Financial Management Report

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

For the Twelve-Month Period
Ended August 31, 2012

Name(s) of Entity(ies)	Amount Received
	\$0.00
Total	\$0.00

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

4. Gifts Received by Executive Officers and Board Members (and First Degree Relatives, if any) (gifts that had an economic value of \$250 or more in the aggregate in the fiscal year)

For the Twelve-Month Period
Ended August 31, 2012

Superintendent	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Note – 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.

5. Business Transactions Between School District and Board Members

For the Twelve-Month Period
Ended August 31, 2012

Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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

School FIRST Annual Financial Management Report

6. Summary Schedule of Data Submitted under the Financial Solvency Provisions of TEC §39.0822

A. General Fund - First-Quarter Expenditures By Object Code

Report 2012-2013 first-quarter (first three months of fiscal year 2012-2013) GENERAL FUND expenditures by object code using whole numbers.

Payroll-	Expenditures for payroll costs	object codes 6110-6149	\$ 25,347,017
Contract Costs-	Expenditures for services rendered by firms, individuals, and other organizations	object code series 6200	\$ 1,866,296
Supplies and Materials-	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities		
Other Operating-	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	object code series 6300	\$ 1,334,414
Debt Service-	Expenditures for debt service	object code series 6400	\$ 1,516,491
Capital Outlay-	Expenditures for land, buildings, and equipment	object code series 6500	\$ -
		object code series 6600	\$ 134,527

B. Additional Financial Solvency Questions

1) Districts with a September 1 - August 31 fiscal year: Within the last two years, did the school district	Yes	No	
1) draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and	_____	x	
2) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?	_____	x	
Districts with a July 1 - June 30 fiscal year:			
Within the last two years, did the school district			
1) draw funds from a short-term financing note (term less than 12 months) between the months of July and October, inclusive, and	N/A	N/A	
2) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?	N/A	N/A	
2) Has the school district declared financial exigency within the past two years?	_____	x	

School FIRST Annual Financial Management Report

3) Provide comments or explanations for student-to-staff ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.

Mean Enroll-to-Teacher Ratio	85% of Mean Enrollment-to-Teacher Ratio	School District Size
8.30	7.05	Under 100
9.54	8.11	100 to 249
10.80	9.18	250 to 499
11.54	9.81	500 to 999
12.65	10.75	1,000 to 1,599
13.65	11.60	1,600 to 2,999
14.43	12.26	3,000 to 4,999
14.97	12.73	5,000 to 9,999
15.12	12.86	10,000 to 24,999
15.27	12.98	25,000 to 49,999
15.44	13.12	50,000 and Over

District's Comment.

Although a lower student to teacher ratio is good for the instructional environment, this indicator measures the ratio of students to teachers in an attempt to determine if a district is inefficient in its employment practices by hiring too many teachers or delaying in the reduction of teachers if enrollment in the district is declining.

PISD had 19,166 students and 1,108 teachers during the 2011-2012 school year. The resulting Enrollment-to-Teacher Ratio of 17.3 compares favorably to 85% of the mean ratio of 12.86 for school districts with 10,000 to 24,999 students from the standpoint of financial efficiency.

4) How many superintendents has your school district had in the last five years? 2

5) How many business managers has your school district had in the last five years? 1

Section Four



GLOSSARY

Academic Excellence Indicator

System (AEIS): The Texas Education Agency pulls together a wide range of information on the performance of students in each school and district in Texas every year. This information is put into the annual AEIS reports, which are available each year in November. The performance indicators include:

- TAKS passing rate by grade, by subject, student subpopulation, and by all grades tested;
- SDAA performance
- Attendance rate for the full year;
- Dropout rate (by year);
- Completion and dropout rates (4-year longitudinal);
- Percent of high school students completing an advanced course;
- Percent of graduates completing the Recommended High School Program;
- AP and IB examination results;
- TAAS / TASP equivalency rate; and
- SAT and ACT examination -- participation and results.

Accountability Rating: The rating assigned by the Academic Rating System to a school district or campus. The four indicators used to determine the accountability rating for a campus or district are their performance on (1) TAKS, (2) SDAA, (3) Completion rate and (4) Annual dropout rate. Based on these indicators every campus and district is assigned one of the following: District and Campus Ratings: Exemplary, Recognized, Academically Acceptable, Academically Unacceptable, Not Rated: Alternative Education, Not Rated: Other, and Not Rated: Data Integrity Issues. Although registered alternative education campuses and charters will not be rated in 2004 based on academic performance, the commissioner of education has the authority to assign an *Academically Unacceptable* rating to address problems identified through Accountability System Safeguards, Performance-Based Monitoring, or other monitoring and compliance investigations.

Accounting: A standard school fiscal accounting system must be adopted and

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

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

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

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

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

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

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

Beginning Fund Balance: The General Fund balance on the first day of a new school year.



GLOSSARY

For most school districts this is equivalent to the fund balance at the end of the previous school year.

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

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

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

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

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

Chapter 41: 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 41 must make a choice among several options in order to reduce their property wealth and share financial resources.

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

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

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

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.

Designated Fund Balance: The designated fund balance represents tentative plans for the future use of financial resources. Designations require Board action to earmark fund balance for bona fide purposes that will be fulfilled within a reasonable period of time.

Effective Tax Rate: Provides the unit with approximately the same amount of revenue it had the year before on properties taxes in both years. A comparison of the effective tax rate to



GLOSSARY

the taxing unit's proposed tax rate shows if there will be a tax increase.

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

Excess (Deficiency): Represents receivables due (excess) or owed (deficiency) at the end of the school year. This amount is reported as in the Annual Financial and Compliance Report.

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

Federal Revenues: Revenues paid either directly to the district or indirectly through a local or state government entity for Federally-subsidized programs including the School Breakfast Program, National School Lunch Program, and School Health and Related Services Program. This amount is recorded as Revenue Object 59XX.

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

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

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

Function: Function codes identify the expenditures of an operational area or a group

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

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

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

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

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

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

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

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



GLOSSARY

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

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

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

Local & Intermediate Revenues: All revenues from local taxes and other local and intermediate revenues. For specifics, see the definitions for Local Tax and Other Local & Intermediate Revenues. This amount is recorded under Object 57XX.

Local Tax: This is all revenues from local real and personal property taxes, including recaptured funds under Chapter 41, 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.

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

- 1000 Assets
- 2000 Liabilities

- 3000 Fund Balances
- 5000 Revenue
- 6000 Expenditures/Expenses
- 7000 Other Resources/NonOperating Revenue
- 8000 Other Uses/NonOperating Expense

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

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

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

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

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

Other Operating Costs: Expenditures necessary for the operation of the school district that are NOT covered by Payroll Costs, Professional and Contracted Services, Supplies and Materials, Debt Services, and Capital Outlay fall into this category and include travel, insurance and bonding costs, election costs, and depreciation. This amount is recorded as Expenditure/Expense Object 64XX.

Other Resources: This amount is credited to total actual other resources or non-operating



GLOSSARY

revenues received or residual equity transfers in. This amount is recorded under Object 79XX.

Payments for Shared Services

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

Payroll: Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school district. This amount is recorded as Expenditure/Expense Object 61XX. *(NOTE: Payroll amounts do not include salaries for contract workers, e.g., for food service and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)*

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

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

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

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

Qualified Opinion: Term used in connection with financial auditing. A modification of the independent auditor's report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditor's general assertion that the financial statements are fairly presented.

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

Reserve Fund Balance: This is that portion of fund equity which is not available for appropriation or has been legally separated for a specific purpose.

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

Robin Hood Funds: See Wealth Equalization Transfer.

Rollback Tax Rate: Provides the unit with approximately the same amount of tax revenue it spent the previous year for day-to-day operations plus an extra 8 percent cushion, and sufficient funds to pay its debts in the coming year. For school districts, the cushion is six cents per \$100 of property value, not 8 percent. School districts calculate the rollback rate necessary to generate the same amount of state and local funds per weighted average daily attendance (WADA) as was available to the districts in the preceding school year, using estimated WADA for the upcoming year, plus six cents, plus the current year's debt rate. The rollback rate is the highest rate that the taxing unit may adopt before voters can petition for an election to roll back the adopted rate to the rollback rate. For school districts, no petition is required; it's an automatic election if the adopted rate exceeds the rollback rate.

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



GLOSSARY

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

State Revenues: Revenues realized from the Texas Education Agency, other state agencies, shared services arrangements, or allocated on the basis of state laws relating to the Foundation School Program Act. This amount is recorded as Revenue Object 58XX.

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

Unqualified Opinion: An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

WADA: A Weighted Average Daily Attendance (WADA) is used to measure the extent students are participating in special programs. The concept of WADA in effect converts all of a school 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 (Function 91). Sometimes referred to as Robin Hood Funds.

DISCLAIMER

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