



## NOTICE

### Reporting Your School's Financial Accountability Rating

The School FIRST Communications Kit was updated in August 2021 to include changes in the Commissioner's Rule for School FIRST that were implemented by the Texas Education Agency beginning with ratings year 2020-2021 based primarily on data from fiscal year 2020.

Under School FIRST, every charter in Texas is required to prepare an annual financial management report that includes the following:

- A. The charter's financial management performance rating provided by the Texas Education Agency (TEA) based on its comparison with indicators established by the Commissioner of Education for the state's new Financial Accountability System.
- B. The charter's financial management performance under each indicator for the current and previous years' financial accountability ratings;
- C. Additional information required by the Commissioner of Education.

**Notice: Starting with the 2007 calendar year, the financial management report that will be issued at the School FIRST hearing must contain certain required disclosures, in accordance with Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System.**

Under Chapter 109, the Commissioner requires certain disclosures, as follows:

1. A copy of the **superintendent's current employment contract**. The charter school may publish the superintendent's employment contract on the charter's Internet site in lieu of publication in the annual financial management report. This must disclose all compensation and benefits paid to the superintendent;
2. A summary schedule for the fiscal year (12-month period) of **total reimbursements received by the superintendent and each board member**, including transactions resulting from use of the charter school's credit card(s), debit card(s), store-value card(s) and any other instruments to cover expenses incurred by the superintendent and each board member. The summary schedule shall separately report reimbursements for meals, lodging, transportation, motor fuel, and other items (the summary schedule of total reimbursements is not to include reimbursements for supplies and materials that were purchased for the operation of the charter);
3. A summary schedule for the fiscal year of the dollar amount of **compensation and/or fees received by the superintendent from another charter school or any other outside entity in**



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- exchange for professional consulting and/or other personal services.** The schedule shall separately report the amount received from each entity;
4. A summary schedule for the fiscal year of **the total dollar amount by the executive officers and board members of gifts that had an economic value of \$250 or more** in the aggregate in the fiscal year. This reporting requirement only applies to gifts received by the charter school's executive officers and board members (and their immediate family as described by Government Code, Chapter 573, Subchapter B, as a person related to another person within the first degree by consanguinity or affinity) from an outside entity that received payments from the charter in the prior fiscal year, and gifts from competing vendors that were not awarded contracts in the prior fiscal year. This reporting requirement **does not apply** to reimbursement of travel-related expenses by an outside entity when the purpose of the travel is to investigate or explore matters directly related to the duties of an executive officer or board member duties, or matters related to attendance at education-related conferences and seminars whose primary purpose is to provide continuing education **(this exclusion does not apply to trips for**

- entertainment related purposes or pleasure trips).** This reporting requirement excludes an individual gift or a series of gifts from a single outside entity that had an aggregate economic value of less than \$250 per executive officer or board member;
5. A summary schedule for the fiscal year of the **dollar amount by board members for the aggregate amount of business transactions with the school charter.** This reporting requirement is not to duplicate the items disclosed in the summary schedule of reimbursements received by board members; and
  6. Additional information that the charter's board of trustees deems useful.

Refer to the Commissioner's Rules Concerning the Financial Accountability Rating System (Chapter 109, Subchapter AA) for more information.

**Templates for reporting the disclosures listed above are provided in the pages preceding the glossary in this communication resources kit.**

### **Publicizing Your Financial Report and Rating**

Within two months of receiving the final financial accountability rating charter schools are required to distribute the financial management report to attendees at a public hearing for School FIRST. The board of trustees is to have the public hearing.

The board must give notice of the



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hearing to owners of real estate property in the geographic boundaries of the school district, open-enrollment charter school, or charter school operated by a public IHE and to parents of school district, open-enrollment charter school, or charter school operated by a public IHE students. In addition, notice of the hearing, including date, time and location, must be provided to a newspaper of general circulation in the geographic boundaries of the school district, each campus of an open-enrollment charter school, or each campus of a charter school operated by a public IHE in one posting prior to holding the public meeting, providing the time and place of the hearing. The notice in the newspaper may not be earlier than 30 days or later than 10 days before the date of the hearing. If no newspaper is published in the county in which the district's central administration office is located or within the geographic boundaries of an open-enrollment charter school's campus or campus of a charter school operated by a public IHE, then the board must publish the notice in the county nearest to the county seat of the county in which the district's central administration office is located or in which the campus of the open-enrollment charter school or the campus of a charter school operated by a public IHE is located; and (B) through electronic mail to the mass communication media serving the school district, open-enrollment charter school, or charter school operated by a public IHE, including, but not limited to, radio and television.

### Sample Notice:

**NOTICE OF PUBLIC MEETING  
TO DISCUSS YOUR LEA'S NAME'S  
State Financial Accountability Rating**

**Your LEA Name will hold  
a public meeting  
at TIME, DATE, YEAR,  
in the ROOM, BUILDING,  
ADDRESS, CITY.**

**The purpose of this meeting  
is to discuss Your LEA's Name's  
rating  
on the state's financial  
accountability system.**

Staff should have copies of the report ready to hand out to attendees at the public hearing and to anyone that requests a copy after the hearing.



# SAMPLE AGENDA

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AGENDA  
Your SCHOOL  
City, Texas

Public Hearing on School FIRST, financial accountability rating system

NOTICE IS HEREBY GIVEN that Your School will hold a School FIRST public hearing on the DATE at TIME, in the LOCATION of Your School, ADDRESS, City, Texas, for the purpose of:

- A. Call to Order
- B. Pledge of Allegiance
- C. Overview of School FIRST (Financial Integrity Rating System of Texas)
- D. Your School's rating
- E. Public Comments on the Report
- F. Adjournment

On this DATE at TIME, a copy of this notice was posted on the bulletin board of the main entrance foyer at Your School, a place accessible to the public at all times, and on the bulletin board of the Administration Building Reception Area, Address, City, Texas, and distributed to local media representatives as requested.

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Superintendent, Your LEA

**NOTE:** Your district may combine the meeting with a regularly scheduled meeting of the board of trustees.



## A PR OPPORTUNITY

The release of financial accountability ratings under the new School FIRST financial accountability rating system is a public relations opportunity. After all, the media and public will receive the information anyway, so why not make the most of this news?

This is the 18th year of School FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas school districts and charter schools developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of School FIRST is to achieve quality performance in the management of financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

The School FIRST accountability rating system assigns one of four financial accountability ratings, as follows:

- A for Superior Achievement
- B for Above Standard Achievement
- C for Standard Achievement
- F for Substandard Achievement

*If your LEA achieves a high rating for its financial accountability, you should take every opportunity to let your parents, constituents and taxpayers know that you are doing a great job with their tax dollars.*

LEAs that receive the “Substandard Achievement” ratings under School FIRST must file a corrective action plan with the Texas Education Agency within one month after the school district’s or open-enrollment charter school’s public hearing.

If your LEA achieves a high rating for its financial accountability, you should take every opportunity to let your taxpayers know that you are doing a great job with their tax dollars. If your rating isn’t quite so high, then control the story by stating your results, and emphasizing that this School FIRST rating will help guide your efforts to do the best possible job for your community! Good or bad, get out in front of the story by being prepared.

Following is a sample news release for those earning an “A” for “Superior Achievement.” We hope that the example press release will serve as a starting point as you develop your plan for telling your community that you do as well caring for their money as your do their children.



# SAMPLE NEWS RELEASE 1

\_\_\_\_\_, 2021  
**FOR IMMEDIATE RELEASE**

For further information,  
contact: \_\_\_\_\_  
(\_\_\_\_) \_\_\_\_-\_\_\_\_

## \_\_\_\_\_ **Earns State's Highest Fiscal Accountability Rating**

\_\_\_\_\_ officials announced that the school received a rating of "A" for "Superior Achievement" under Texas' School FIRST financial accountability rating system. The "Superior Achievement" rating is the state's highest, demonstrating the quality of \_\_\_\_\_;s financial management and reporting system.

This is the 18th year of Charter FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas schools developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999 and amendments under House Bill 5, 83rd Texas Legislature, Regular Session, 2013. The primary goal of School FIRST is to achieve quality performance in the management of school resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

"We are very pleased with \_\_\_\_\_'s School FIRST rating," said \_\_\_\_\_ Superintendent \_\_\_\_\_. This rating shows that our school is making the most of our taxpayers' dollars. This rating shows that \_\_\_\_\_'s schools are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently."

The Texas Education Agency assigned one of four financial accountability ratings to Texas schools, with the highest being "A" for "Superior Achievement," followed by "B" for "Above-Standard Achievement," "C" for "Standard Achievement" and "F" for "Substandard Achievement." **Optional sentence to add** \_\_\_\_\_ has achieved the highest rating for Insert number prior year(s).

**\*\*\* Localize for Your LEA \*\*\***



## SAMPLE NEWS RELEASE 2

\_\_\_\_\_, 2021  
**FOR IMMEDIATE RELEASE**

For further information,  
contact: \_\_\_\_\_  
(\_\_\_\_) \_\_\_\_-\_\_\_\_

### \_\_\_\_\_ **Announces Fiscal Accountability Rating**

\_\_\_\_\_ officials announced that the school received a rating of “\_\_\_” for “\_\_\_\_\_” under Texas’ Charter FIRST financial accountability rating system. The rating system measures the quality of a school’s financial management and reporting system.

This is the 18th year of School FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999 and amendments under House Bill 5, 83rd Texas Legislature, Regular Session, 2013. The primary goal of School FIRST is to achieve quality performance in the management of financial resources, a goal made more significant due to the complexity of accounting associated with Texas’ school finance system.

“The Schools FIRST accountability rating ensures that Texas schools are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently,” said \_\_\_\_\_ Superintendent \_\_\_\_\_. “The information provided by the Schools FIRST system will guide us in our continued efforts to maximize each taxpayer dollar.”

The Texas Education Agency assigned one of four financial accountability ratings to Texas schools, with the highest being “A” for “Superior Achievement,” followed by “B” for “Above-Standard Achievement,” “C” for “Standard Achievement” and “F” for “Substandard Achievement.” **Optional sentence to add** \_\_\_\_\_ has achieved the highest rating for Insert number prior year(s).

**\*\*\* Localize for Your LEA \*\*\***



## How Ratings are Assessed

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### Rating Worksheet

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

The School FIRST Communications Kit was updated in August 2021 to include changes in the Commissioner's Rule for School FIRST that were implemented by the Texas Education Agency beginning with ratings year 2020-2021 based primarily on data from fiscal year 2020.

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

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

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

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

Was there an unmodified opinion in the AFR on the financial statements as a

whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)?

**3. Was the charter school in compliance with the payment terms of all debt agreements at fiscal year end? (If the school was in default in a prior fiscal year, an exemption applies in following years if the school is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)**

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

**4. Did the charter school make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC),**



## How Ratings are Assessed

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### **Internal Revenue Service (IRS), and other government agencies?**

This indicator seeks to make sure the school fulfilled its obligation to the TRS, TWC and IRS to transfer payroll withholdings and to fulfill any additional payroll-related obligations required to be paid by the school.

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

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

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

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

fund balance remains to operate for at least 75 days.?

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

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

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

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

### **9. Did the charter school's revenues equal or exceed expenses, excluding depreciation? If not, was the charter school's number of days of cash on hand greater than or equal to 40 days? The calculation will use expenses, excluding depreciation.?**

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

### **10. Did the school average less than a 10 percent variance (90% to 110%)**



## How Ratings are Assessed

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### **when comparing budgeted revenues to actual revenues for the last 3 fiscal years?**

This indicator measures how accurately the school forecast projected revenue by comparing budgeted revenue submitted through PEIMS in October of the fiscal year to actual revenue submitted after the close of the fiscal year.

### **11. Was the ratio of long-term liabilities to total assets for the charter school sufficient to support long-term solvency? (If the charter school's change of students in membership over 5 years was 7 percent or more, then the school passes this indicator.)**

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

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

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

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

This indicator measures whether the school's total net assets were sufficient

to cover long term liabilities.

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

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

### **15. Did the school not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school will automatically pass this indicator.)**

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

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

This indicator measures how well the LEA was able to project average daily attendance for the coming biennium for payment purposes. Projected ADA is compared to actual.

### **17. Did the comparison of Public Education Information Management System (PEIMS) data to like**



## How Ratings are Assessed

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**information in the charter school's AFR result in a total variance of less than 3 percent of all expenditures by function?**

This indicator measures the quality of data reported to PEIMS and in your Annual Financial Report to make certain that the data reported in each case "matches up." If the difference in numbers reported in any fund type is 3 percent or more, your school "fails" this measure. If the school fails this indicator, the maximum points and highest rating the school may receive is 89 points and a B, which is equal to above standard achievement.

**18. Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)**

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

**19. Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)**

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

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

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

**21. This indicator is not being scored.**



## ***DISCLOSURES***

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Reporting requirements for the financial management report for School FIRST public hearing are found in **Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System**. This rule describes requirements for the six (6) disclosures explained below that are to be presented as appendices in the School FIRST financial management report.



## ***DISCLOSURES***

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### **1. Superintendent's Employment Contract**

The school is to provide a copy of the superintendent's employment contract that is effective on the date of the School FIRST hearing in calendar year 2021. In lieu of publication in the School FIRST financial management report, the school may choose to publish the superintendent's employment contract on the school's Internet site. **If published on the Internet**, the contract is to remain accessible for twelve months.



## DISCLOSURES

### 2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2020

For the Twelve-month Period Ended June 30, or August 31, 2020								
Description of Reimbursements	Superintendent	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
Meals	\$	\$	\$	\$	\$	\$	\$	\$
Lodging								
Transportation								
Motor Fuel								
Other								
Total	\$	\$	\$	\$	\$	\$	\$	\$

**Note** – The spirit of the rule is to capture all “reimbursements” for fiscal year 2020, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

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

**Lodging** - Hotel charges.

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

**Motor fuel** – Gasoline.

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



## DISCLOSURES

### 3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2020

For the Twelve-Month Period Ended June 30, or August 31, 2020	
Name(s) of Entity(ies)	
	\$
Total	\$

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



# DISCLOSURES

## 4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2020

For the Twelve-Month Period Ended June 30, or August 31, 2020								
	Superintendent	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
Summary Amounts	\$	\$	\$	\$	\$	\$	\$	\$

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



## DISCLOSURES

### 5. Business Transactions Between School and Board Members for Fiscal Year 2020

For the Twelve-Month Period Ended June 30, or August 31, 2020	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
Summary Amounts	\$	\$	\$	\$	\$	\$	\$

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



## ***DISCLOSURES***

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- 6. Any other information the board of trustees of the school district or open-enrollment charter school determines to be useful.**



## GLOSSARY

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

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

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

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

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

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

**Beginning Fund Balance:** The General Fund

balance on the first day of a new school year. For most schools this is equivalent to the fund balance at the end of the previous school year.

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

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

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

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

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



## GLOSSARY

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notice or penalty.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Function:** Function codes identify the



## GLOSSARY

expenditures of an operational area or a group of related activities. For example, in order to provide the appropriate atmosphere for learning, schools transport students to school, teach students, feed students and provide health services. Each of these activities is a function.

The major functional areas are:

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

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

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

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

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

**Intergovernmental Charges:**

"Intergovernmental" is a classification used when one governmental unit transfers resources to another. Expenditures associated with this functional area are reported under Function 90.

**Investments in Capital Assets, Net of Related Debt:** One of three components of Net Position that must be reported in both government-wide

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

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

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

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

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

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

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



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going to payroll and related employee benefits and the purchase of goods and services.

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

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

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

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

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

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

### Payments for Shared Services

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

greater the number of students eligible for special entitlements, the greater WADA will be.

### DISCLAIMER

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



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