



School FIRST
Financial Integrity Rating System of Texas

Financial Management Report
2017

School FIRST
2017 Financial Integrity Rating System of Texas
Hurst-Euless-Bedford ISD
for Fiscal Year 2015-2016

State Indicator	Indicator Background	State Expected Result	HEB ISD 2015-2016 Result	HEB ISD 2014-2015 Result	HEB ISD 2013-2014 Result	HEB ISD 2012-2013 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: <i>HEB ISD's Fiscal Year end date is August 31; therefore, the January 28 deadline is applicable. The Comprehensive Annual Financial Report was approved by the Board of Trustees on January 23, 2017, and electronically submitted to the Texas Education Agency on January 25, 2017.</i></p>	<p>A simple indicator. Was your Comprehensive Annual Financial Report filed by the deadline?</p>	Yes	Yes	Yes	Yes	Yes
<p>2. Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.</p> <p>A. 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.)</p> <p>B. 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.)</p> <p>Additional Information: <i>Weaver and Tidwell LLP, the District's independent auditors, issued an unmodified opinion and reported no material weaknesses for fiscal year ending August 31, 2016.</i></p>	<p>An unmodified opinion means that the financial statements fairly represent the financial position of the district at fiscal year end.</p> <p>A clean audit of your Comprehensive Annual Financial Report would state your district has no material weaknesses in internal controls. Any internal control weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed.</p>	Yes	Yes	Yes	Yes	Yes

<p>3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</p> <p>Additional Information: <i>HEB ISD has never defaulted on any of its bond indebtedness obligations.</i></p>	<p>This indicator seeks to make certain that your district has paid its debt on time.</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>
<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?</p>	<p>New indicator in 2016 FIRST. This indicator seeks to make certain that the district has paid all governmental entities in a timely manner.</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>N/A</p>	<p>N/A</p>
<p>5. Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</p>	<p>This indicator seeks to ascertain the district's financial position based on current assets and liabilities. Fast growth districts (those having a 10% increase in students over the past 5 years) are exempt from this indicator.</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>

<p>6. 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)?</p> <p><i>90 Days or more = 10 Points</i> <i>75-89 Days = 8 Points</i> <i>60-74 Days = 6 Points</i> <i>45-59 Days = 4 Points</i> <i>30-44 Days = 2 Points</i> <i>Less than 30 days = 0 Points</i></p> <p><i>HEB ISD had 225.01 days of cash on hand in FY 2015-2016.</i></p>	<p>New indicator in 2016 FIRST. This indicator seeks to determine if the district has enough cash and/or investments to pay maintenance & operations expenses before tax revenue is received.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>N/A</p>	<p>N/A</p>
<p>7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short term debt?</p> <p><i>3.00 or greater = 10 points</i> <i>2.50 - 3.00 = 8 points</i> <i>2.00 - 2.50 = 6 points</i> <i>1.50 - 2.00 = 4 points</i> <i>1.00 - 1.50 = 2 points</i> <i>Less than 1.00 = 0 points</i></p> <p><i>HEB had a current asset to current liability ratio of 5.11 in FY 2015-2016.</i></p>	<p>New indicator in 2016 FIRST.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>N/A</p>	<p>N/A</p>
<p>8. 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 change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</p> <p><i>0.60 or less = 10 points</i> <i>0.60 - 0.70 = 8 points</i> <i>0.70 - 0.80 = 6 points</i> <i>0.80 - 0.90 = 4 points</i> <i>0.90 - 1.00 = 2 points</i> <i>Greater than 1.00 = 0 points</i></p> <p><i>HEB had a long term liability to total asset ratio of 0.4839 in FY 2015-2016.</i></p>	<p>New indicator in 2016 FIRST.</p>	<p>10 points max</p>	<p>10 points</p>	<p>8 points</p>	<p>N/A</p>	<p>N/A</p>

<p>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?</p> <p><i>HEB ISD had revenues exceeding expenditures by \$16,650,392 in FY 2015-2016.</i></p>	<p>New indicator in 2016 FIRST.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>N/A</p>	<p>N/A</p>
<p>10. Was the debt service coverage ratio sufficient to meet the required debt service?</p> <p><i>1.20 or greater = 10 points 1.15 - 1.19 = 8 points 1.10 - 1.14 = 6 points 1.05 - 1.09 = 4 points 1.00 - 1.04 = 2 points Less than 1.00 = 0 points</i></p> <p><i>HEB had a debt service coverage ratio of 1.8587 in FY 2015-2016.</i></p>	<p>New indicator in 2016 FIRST.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>N/A</p>	<p>N/A</p>
<p>11. Was the school district's administrative cost ratio equal to or less than the threshold ratio?</p> <p>Additional Information: <i>The TEA established thresholds on the amount of money school districts should spend on administrative costs. The "Administrative Cost Ratio" limit is set as a ratio of administrative costs to instructional costs. Administrative costs are defined as Instructional Leadership (function 21) and General Administration (function 41). 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. HEB's administrative cost ratio for 2015-2016 was 5.79%, well below the limit of 8.55% set to achieve maximum points.</i></p>	<p>TEA sets a threshold percentage that school districts should spend on administration. This threshold is determined based on the size of the district</p>	<p>10 points max</p>	<p>10 points 5.79%</p>	<p>10 points 5.81%</p>	<p>10 points 5.79%</p>	<p>5 points out of 5 points max 5.83%</p>
<p>12. Did the school district not have a 15 percent decline in the student to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)</p> <p><i>HEB ISD grew by 654 students over the 3 year period and therefore automatically passes the indicator.</i></p>	<p>New indicator in 2016 FIRST.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>N/A</p>	<p>N/A</p>

<p>13. 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?</p>	<p>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 more than 3 percent, your district "fails" this measure.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>10 points</p>	<p>5 points out of 5 points max</p>
<p>14. Did the external independent auditor indicate the AFR was free of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)</p>	<p>New indicator in 2016 FIRST.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>N/A</p>	<p>N/A</p>
<p>15. Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?</p>	<p>New indicator in 2016 FIRST.</p>	<p>10 points max</p>	<p>10 points</p>	<p>10 points</p>	<p>N/A</p>	<p>N/A</p>

School FIRST
Hurst Euless Bedford ISD
2015-2016 District Status

Rating: Superior

Maximum Score: 100

HEB ISD Score: 100

Number of Critical Indicators: 5

HEB ISD Critical Indicators answered YES: 5

HEB ISD Critical Indicators answered NO: 0

Determination of Rating

- A. Did the District answer **NO** to Indicators 1, 2, 3, 4, or 5?

If So, The District's rating is Substandard Achievement

- B. Determine rating by applicable range for summation of the indicator scores (Indicators 5 - 7):

Superior	70 - 100
Above Standard	50 - 69
Meets Standard	31 - 49
Substandard Achievement	< 31

School FIRST
First Integrity Rating System of Texas
GLOSSARY

Accounting:

A standard school fiscal accounting system must be adopted 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 may be determined after the end of the fiscal year when 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 school districts this is the 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 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 Information Management System (PEIMS) as of the date prescribed by TEA.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 flow 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.

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).

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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.

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 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 recorded as Asset Object 1200.

Existing Debt Allotment (EDA):

Is the amount of state funds to be allocated to the district for assistance with existing debt.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 5900.

Fiscal Year:

A period of 12 consecutive months legislatively selected as the 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 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

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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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.

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 5700.

Local Tax:

This is all revenues from local real and personal property taxes, including recaptured funds from 1) Contracted Instructional Services Between Public Schools (Function 91) and 2) Incremental Costs associated with Chapter 41 of the Texas Education Code (Function 92).

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 eight major 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 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 change 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 operations 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 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 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 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 districts and campuses that use contract workers and those that do not.)*

PEIMS:

A statewide 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.

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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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.

Robin Hood Funds:

See Wealth Equalization Transfer

Rollback Tax Rate:

Provides governments other than school districts 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 M&O portion of the rollback tax rate allows school districts to add four cents (\$0.04) 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, not 8 percent. 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.

Special Revenue Fund:

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

School FIRST
First Integrity Rating System of Texas
GLOSSARY

State Revenues:

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

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 Asset Balance:

The term net asset refers to the amount of total assets less total liabilities. Unrestricted net asset balance refers to the portion of total net assets 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 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.

**School FIRST
Indicator 5**

Unrestricted Net Asset Balance Greater than \$0

	2013-2014 (2015 Rating)	2014-2015 (2016 Rating)	2015-2016 (2017 Rating)
Total Current Year Students	22,129	22,365	22,780
Total Students 5 yrs prior	20,692	21,000	21,540
5 Year Growth	6.94%	6.50%	5.76%
Required Growth for Exemption from Indicator	10.00%	10.00%	10.00%

If 5 year growth is less than 10%:

<u>CAFR Schedule</u>				
A-1	Total Unrestricted Net Asset Balance	\$ 92,910,772	\$ 93,332,672	\$ 105,560,374
Notes	Note L: Page 46 - Accreted Interest	13,155,315	10,401,697	7,409,432
A-1	Net Pension Liability	-	22,138,073	44,324,368
		<u>\$ 106,066,087</u>	<u>\$ 125,872,442</u>	<u>\$ 157,294,174</u>
		> 0	> 0	> 0

Accreted Interest: An account that represents interest that is accrued on deep discount bonds. This account should be used by school districts that issue capital appreciation bonds. Such bonds are usually issued at a deep discount from the face value, and no interest payment is made until maturity. Under full accrual accounting, the district is required to accrete the interest on the bonds over the life of the bonds. Accretion is the process of systematically increasing the carrying amount of the bond to its estimated value at the maturity date of the bond. To calculate accreted interest, the district should impute the effective interest rate, using the present value, the face value (or the future value), and the period of the bond, and multiply the effective interest rate by the book value of the debt at the end of the period. Accreted interest is usually recorded as an addition to the outstanding debt liability.

School FIRST Indicator 6

Cash or Current Investments on Hand (2016 Rating first time used)

<u>CAFR Schedule</u>	<u>2013-2014 (2015 Rating)</u>	<u>2014-2015 (2016 Rating)</u>	<u>2015-2016 (2017 Rating)</u>
C-1 Cash and Equivalents		\$ 87,844,542	\$ 99,864,402
C-1 Current Investments		-	-
Total Cash and Current Investments	<u>\$ -</u>	<u>\$ 87,844,542</u>	<u>\$ 99,864,402</u>
C-3 Total Expenditures		\$ 155,883,884	\$ 161,992,030
C-3 Less: Facilities Acquisition and Construction		-	-
	<u>\$ -</u>	<u>\$ 155,883,884</u>	<u>\$ 161,992,030</u>
Expenditures per Day	<u>\$ -</u>	<u>\$ 427,079</u>	<u>\$ 443,814</u>
Days of Cash on Hand	-	205.69	225.01

School FIRST Indicator 7

Current Asset to Current Liabilities Ratio (2016 Rating first time used)

<u>CAFR Schedule</u>	<u>2013-2014 (2015 Rating)</u>	<u>2014-2015 (2016 Rating)</u>	<u>2015-2016 (2017 Rating)</u>
A-1 Total Assets		\$ 447,143,292	\$ 462,692,898
A-1 Less: Land		13,540,259	13,540,259
A-1 Less: Building and Improvements		220,026,086	263,344,693
A-1 Less: Furniture and Equipment		7,453,198	9,841,103
A-1 Less: Construction in Progress		55,205,412	8,224,013
Total Current Assets	\$ -	\$ 150,918,337	\$ 167,742,830
A-1 Total Liabilities		\$ 337,446,325	\$ 345,376,948
A-1 Less: Long Term Due in More Than One Year		284,513,728	268,219,091
A-1 Less: Net Pension Liability		22,138,073	44,324,368
Total Current Liabilities	\$ -	\$ 30,794,524	\$ 32,833,489
Current Asset to Current Liability Ratio		4.9008	5.1089

**School FIRST
Indicator 8**

Long Term Liabilities to Total Assets Ratio

	2013-2014 (2015 Rating)	2014-2015 (2016 Rating)	2015-2016 (2017 Rating)
Total Current Year Students	22,129	22,365	22,780
Total Students 5 yrs prior	20,692	21,000	21,540
5 Year Growth	6.94%	6.50%	5.76%
Required Growth for Exemption from Indicator	10.00%	10.00%	10.00%
A-1 Long Term Liabilities Due in more than one year		\$ 284,513,728	\$ 268,219,091
A-1 Less: Net Pension Liability		\$ -	\$ 44,324,368
Total Long Term Liabilities	\$ -	\$ 284,513,728	\$ 223,894,723
A-1 Total Assets		\$ 447,143,292	\$ 462,692,898
Long Term Liabilities to Total Assets Ratio		0.6363	0.4839

**School FIRST
Indicator 9**

Revenues Equal or Exceed Expenditures (2016 Rating first time used)

<u>CAFR Schedule</u>	<u>2013-2014 (2015 Rating)</u>	<u>2014-2015 (2016 Rating)</u>	<u>2015-2016 (2017 Rating)</u>
C-3 Total Revenue		\$ 172,024,737	\$ 178,642,422
Less:			
C-3 Total Expenditures		155,883,884	161,992,030
C-3 Excluding: Facilities and Construction		-	-
		155,883,884	161,992,030
Revenue less Expenditures		<u>\$ 16,140,853</u>	<u>\$ 16,650,392</u>
		>=0 Yes	>=0 Yes
If No:			
C-1 Cash and Equivalents		\$ 87,844,542	\$ 99,864,402
C-1 Current Investments		-	-
Total Cash and Current Investments	<u>\$ -</u>	<u>\$ 87,844,542</u>	<u>\$ 99,864,402</u>
C-3 Total Expenditures		\$ 155,883,884	\$ 161,992,030
C-3 Less: Facilities Acquisition and Construction		-	-
	<u>\$ -</u>	<u>\$ 155,883,884</u>	<u>\$ 161,992,030</u>
Expenditures per Day	<u>\$ -</u>	<u>\$ 427,079</u>	<u>\$ 443,814</u>
Days of Cash on Hand	<u>-</u>	<u>205.69</u>	<u>225.01</u>
		>=60 Yes	>=60 Yes

**School FIRST
Indicator 10**

Debt Service Coverage Ratio (2016 Rating first time used)

<u>CAFR Schedule</u>	<u>2013-2014 (2015 Rating)</u>	2014-2015 (2016 Rating)	2015-2016 (2017 Rating)
C-3 Total Revenue - General Fund		\$ 172,024,737	\$ 178,642,422
C-3 Total Revenue - Debt Service		31,212,093	30,772,151
Total Revenue		\$ 203,236,830	\$ 209,414,573
Less:			
C-3 Total Expenditures - General Fund		\$ 155,883,884	\$ 161,992,030
C-3 Total Expenditures - Debt Service		30,153,106	29,876,002
Total Expenditures		\$ 186,036,990	\$ 191,868,032
Plus:			
C-3 Debt Service - fnct codes 71, 72, and 73		\$ 30,153,106	\$ 29,876,002
C-3 Fund Code 599 (Debt Service fund balance)		7,210,740	8,106,889
C-3 Function 81 (General Fund & Debt Service)		-	
		\$ 37,363,846	\$ 37,982,891
Revenue Less Expenditures		\$ 54,563,686	\$ 55,529,432
Debt Service Coverage Ratio		1.8096	1.8587

School FIRST Indicator 11

Administrative Cost Ratio

<u>CAFR Schedule</u>	<u>2013-2014 (2015 Rating)</u>	<u>2014-2015 (2016 Rating)</u>	<u>2015-2016 (2017 Rating)</u>
C-3 Function 11	92,072,286	97,603,182	100,899,525
C-3 Function 12	2,208,034	2,301,179	2,360,190
C-3 Function 13	2,207,319	2,353,663	2,653,982
Subtotal	<u>96,487,639</u>	<u>102,258,024</u>	<u>105,913,697</u>
C-3 Function 21	1,680,218	1,932,984	1,966,557
C-3 Function 41	4,270,591	4,406,019	4,551,283
Subtotal	<u>5,950,809</u>	<u>6,339,003</u>	<u>6,517,840</u>
Total	<u><u>102,438,448</u></u>	<u><u>108,597,027</u></u>	<u><u>112,431,537</u></u>
Admin %	5.79%	5.81%	5.79%

School FIRST Indicator 12

Student to Staff Ratio

CAFR
Schedule

	2013-2014 (2015 Rating)	2014-2015 (2016 Rating)	2015-2016 (2017 Rating)
Total Enrollment		22,416	22,834
3 Yr Prior Total Enrollment		21,814	22,180
Difference		602	654
		> 0 Yes	> 0 Yes
If NO:			
2015-2016 FTE Staff		2,509.0186	2,511.0833
2015-2016 Student to Staff Ratio		8.93	9.09
2013-2017 FTE Staff		2,433.0309	2,439.5415
2013-2014 Student to Staff Ratio		8.97	9.09
Percent Change in Ratio		-0.35%	0.02%
		> -15% Yes	> -15% Yes



School FIRST
Financial Integrity Rating System of Texas

Disclosures

HEB ISD
Compensation / Fees Received by Superintendent for Consulting And / Or Other Services
Fiscal Year 2015-2016

Steve Chapman, Superintendent of HEB ISD, received no compensation for consulting and/or other services during fiscal year 2015-2016.

HEB ISD
Gifts with Economic Value of \$250 or More in the Aggregate
Fiscal Year 2015-2016

Steve Chapman, Superintendent of HEB ISD, received no gifts that had an economic value of \$250 or more in the aggregate during fiscal year 2015-2016

No HEB ISD Board Member (including their immediate family as described in Govt Code, Chapter 573, Subchapter B) received a gift with an economic value of \$250 or more in the aggregate during fiscal year 2015-2016.

HEB ISD
Business Transactions Between School District and Board Member
Fiscal Year 2015-2016

No business transactions occurred between the school district and a board member in 2015-2016.

Superintendent Term Contract

This Contract is entered into between the Board of Trustees (the "Board") of the HURST-EULESS-BEDFORD INDEPENDENT SCHOOL DISTRICT (the "District") and Steven A. Chapman (the "Superintendent").

The Board and the Superintendent, for and in consideration for the terms stated in this Contract, hereby agree as follows:

1. **Term.** The Board agrees to employ the Superintendent on a twelve-month basis per school year, beginning September 1, 2017 and ending August 31, 2022. The Board and the Superintendent (the "Parties") may extend the term of this Contract by agreement.
2. **Extension.** At any time during the contract term, but not until the Superintendent's second formal appraisal, the Board in its discretion may reissue the contract for an extended term. Failure to extend a contract shall not constitute contract nonrenewal.
3. **Certification and Records.** The Superintendent agrees to maintain the required certification and experience records throughout the term of employment with the District, and all other records required for personnel or payroll purposes. If the Superintendent's certification expires, is canceled, or is revoked, then this Contract is void.
4. **Reassignment.** The Superintendent cannot be reassigned from the position of Superintendent to another position without the Superintendent's consent.
5. **Representations.** The Superintendent makes the following representations:
 - 5.1 **Beginning of Contract:** At the beginning of this Contract, and at any time during this Contract, the Superintendent specifically agrees to submit to a review of his or her national criminal history record information (NCHRI) if required by the District, TEA, or SBEC. The Superintendent understands that a criminal history record acceptable to the Board, at its sole discretion, is a condition precedent to this Contract.
 - 5.2 **During Contract:** The Superintendent also agrees that, during the term of this Contract, the Superintendent will notify the Board in writing of any arrest or of any indictment, conviction, no contest or guilty plea, or other adjudication of the Superintendent. The Superintendent agrees to provide such notification in writing within seven calendar days of the event or any

shorter period specified in Board policy.

- 5.3 **False Statements and Misrepresentations:** The Superintendent represents that any records or information provided in connection with his or her employment application, certification, employment history, and payroll and personnel records are true and correct. Any false statements, misrepresentations, omissions of requested information, or fraud by the Superintendent in or concerning any required records or in the employment application may be grounds for termination or nonrenewal, as applicable.
6. **Duties.** The Superintendent shall be the educational leader and chief executive officer of the District. The Superintendent agrees to perform his or her duties as follows:
 - 6.1 **Authority:** The Superintendent shall perform such duties and have such powers as may be prescribed by the law, the job description, and the Board. The Board shall have the right to assign additional duties to the Superintendent and to make changes in responsibilities or work at any time during the contract term. All duties assigned by the Board shall be appropriate to and consistent with the professional role and responsibility of the Superintendent.
 - 6.2 **Standard of Performance:** Except as otherwise permitted by this Contract, the Superintendent agrees to devote his or her full time and energy to the performance of his or her duties. The Superintendent shall perform his or her duties with reasonable care, skill, and diligence. The Superintendent shall comply with all Board directives, state and federal laws and rules, Board policy, and regulations as they exist or may hereafter be amended.
 - 6.3 **Evaluation:** The Board shall evaluate the Superintendent at annual or more frequent intervals. The evaluation format and procedure shall be in accordance with Board policy and state and federal law.
 - 6.4 **Outside Employment:** The Superintendent may, with prior written consent of the Board, undertake consulting work, speaking engagements, writing, lecturing, and other professional duties and obligations that do not conflict or interfere with the Superintendent's professional responsibilities to the District. For any such outside employment, the Superintendent agrees to comply with applicable ethics rules, laws, and Board policy regarding reporting potential and actual conflicts of interest. In addition, the Superintendent agrees to provide information regarding income from such activities to the District as necessary for financial reporting requirements.

- 6.5 **Professional and Civic Activities.** The Superintendent is encouraged to participate in professional growth activities and civic activities.
7. **Annual Compensation.** The District shall pay the Superintendent an annual salary as follows:
- 7.1 **Salary:** An annual salary of TWO HUNDRED SIXTY-ONE, and ONE HUNDRED TWENTY THOUSAND (\$261,120) shall be payable in twelve (12) monthly installments in accordance with the District's standard payroll practices, and shall be subject to all appropriate withholding.
- (a) **Financial Exigency.** If the Board declares a financial exigency under Texas Education Code Section 44.011, the statute allows the Board to choose to amend this Superintendent's Contract. If this Contract is amended, then the Superintendent may choose to accept the amended Contract or resign without penalty upon the provision of reasonable notice.
- (b) **Widespread Salary Reduction.** If the Board implements a widespread salary reduction under Texas Education Code Section 21.4023, then the Superintendent's annual salary shall be reduced by the percent or fraction of a percent that is equal to the average percent or fraction of a percent by which teacher salaries have been reduced.
- (c) **Furlough.** If the Board implements a furlough under Texas Education Code Section 21.4021, then the Superintendent shall be furloughed for the same number of days as other contract personnel and the Superintendent's salary shall be reduced in proportion to the number of furlough days.
- 7.2 **Salary Increases:** The Board, in its sole discretion, may award salary increases on an annual basis through an amendment to this Contract. The salary for the remaining years of the Contract shall not be less than the salary stated in this Contract, except as provided in paragraph 7.1 (a-c) above and shall never be less than the salary increase percentage received by District professional staff.
- 7.3 **Benefits:** The District shall provide benefits to the Superintendent as provided by state law and Board policies. The Board reserves the right to amend its policies at any time during the term of this Contract to reduce or increase these benefits, at the Board's sole discretion.
- 7.3.1 **Medical Insurance Premiums:** The District shall pay on behalf of the

Superintendent medical insurance premiums in the same amount as that paid by the District on behalf of other full-time employees.

- 7.3.2 **Vacations, Sick Leave, Holidays:** The Superintendent shall receive the same number of vacation days as authorized by board policy for administrative employees on 12-month contracts, based on time served in the District. The Superintendent shall observe the same holidays and breaks as provided for other 12-month administrators in the Board's adopted annual calendar and shall be eligible for any leave available to other employees under Board policy. The Superintendent shall schedule vacation and leave days with prior written approval of the Board President and at times that will least interfere with the performance of the Superintendent's duties.
- 7.3.3 **Life/Disability Insurance:** (Term Life Insurance) The District shall provide the Superintendent with a term life insurance policy in the amount of his or her annual salary. The District shall pay the premiums for the life insurance policy for the duration of this Agreement. The life insurance policy shall be owned by the District on the life of the Superintendent, but the Superintendent shall have the sole right to determine the beneficiary under the policy.
- (Disability Insurance) The District shall pay the premium for a long-term disability insurance policy for the Superintendent to compensate the Superintendent for at least 60% of the Superintendent's base salary, after a suitable qualifying period.
- 7.3.4 **Business Expense Reimbursements:** The District shall reimburse the Superintendent, according to Board policy, for expenses incurred by the Superintendent in the performance of the Superintendent's duties.
- 7.3.5 **Membership Dues:** The Board encourages the Superintendent to become a member of and participate in local and state civic and professional activities, to be chosen in the Superintendent's discretion. The Board concludes that such membership will serve a legitimate purpose related to the educational mission of the District. The District will reimburse the Superintendent for the reasonable expenses of membership in said organizations, subject to Board approval.
- 7.3.6 **Professional Growth Activities:** The Superintendent shall attend appropriate professional meetings at the local, state, and national levels, with advance approval of the Board. The District shall reimburse the Superintendent for actual expenses incurred in attending

such activities in accordance with the adopted budget and the Board's policies regarding expense reimbursements.

7.3.7 **Payment for Accrued Vacation Leave:** Unused vacation days may accumulate from year to year, subject to the limitations of Board Policy DED (Local) and (Regulation). Unused vacation days may also be converted into compensation at the termination of the employment relationship, in accordance with and subject to the limits of Board Policy DED (Local) and (Regulation).

8. **Residence:** The Superintendent shall maintain a residence within the geographic boundaries of the District.
9. **Suspension.** In accordance with Texas Education Code Chapter 21, the Board may suspend the Superintendent without pay during the term of this Contract for good cause as determined by the Board.
10. **Termination, Nonrenewal, and Resignation of Contract.** Termination or nonrenewal of this contract, or resignation under this contract, will be pursuant to Texas Education Code Chapter 21.
11. **Indemnification:** To the extent consistent with law, including Texas Civil Practice & Remedies Code Chapter 101, the **District agrees to defend, hold harmless, and indemnify the Superintendent** from any and all demands, claims, suits, actions, judgments, expenses, and attorneys' fees incurred in any legal proceedings brought against the Superintendent in the Superintendent's individual or official capacity as Superintendent of the District, acting within the course and scope of the Superintendent's employment (Covered Claim).

The term "Covered Claim" excludes any demands, claims, suits, actions, judgments, expenses, and attorneys' fees where it is determined that the Superintendent committed official misconduct, or committed a willful or wrongful act or omission, or an act or omission constituting gross negligence, or acted in bad faith. This indemnity also excludes any costs, fees, expenses, or damages that would be recoverable or payable under an insurance contract, held either by the District or by the Superintendent. The District's obligation to indemnify does not apply to criminal investigations or criminal proceedings.

The District and the Superintendent shall select the Superintendent's legal counsel for any Covered Claim by agreement if such legal counsel is not also the District's legal counsel. If legal defense is provided through insurance coverage, the Superintendent's right to agree to legal counsel provided for the Superintendent will depend on the terms of the applicable insurance contract. This indemnity provision

shall survive the termination of this Contract.

The Superintendent agrees to fully cooperate with the District in the defense of any and all demands, claims, suits, actions, and legal proceedings brought against the District, regardless of whether the Superintendent is named as a party. Contingent on the Superintendent's providing such full cooperation, the District shall reimburse the Superintendent's reasonable, related expenses, including travel and lodging expenses. The Parties' obligations under this paragraph shall continue after the termination of this Contract.

12. **General Provisions.**

12.1 **Amendment:** This Contract may not be amended except by written agreement of the Parties.

12.2 **Severability:** If any provision in this Contract is, for any reason, held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision of the Contract. This Contract shall be construed as if such invalid, illegal, or unenforceable provision had never been a part of the Contract.

12.3 **Entire Agreement:** All existing agreements and contracts, both verbal and written, between the Parties regarding the employment of the Superintendent are superseded by this Contract. This Contract constitutes the entire agreement between the Parties.

12.4 **Controlling Law and Venue:** Texas law shall govern construction of this Contract. The Parties agree that mandatory and exclusive venue for any litigation relating to the Superintendent's employment with the District, including this Contract, shall be in state district court in Tarrant County.

12.5 **Paragraph Headings:** The headings used at the beginning of each numbered paragraph in this Contract are not intended to have any legal effect; the headings do not limit or expand the meaning of the paragraphs that follow them.

12.6 **Legal Representation:** Both Parties have been represented by legal counsel of their choice, or have had the opportunity to consult with legal counsel, in the negotiation and execution of this Contract.

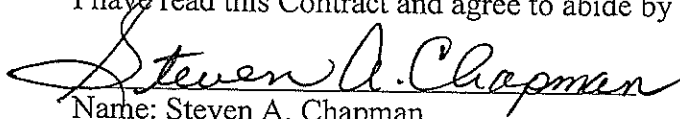
13. **Notices.**

13.1 **To Superintendent:** The Superintendent agrees to keep a current address on

file with the District's Human Resources office and the Board President. The Superintendent agrees that the Board may meet any legal obligation it has to give the Superintendent written notice regarding this Contract or the Superintendent's employment by hand-delivery, or by certified mail, regular mail, and/or express delivery service to the Superintendent's address of record.

13.2 **To Board:** The Board agrees that the Superintendent may meet any legal obligation to give the Board written notice regarding this Contract or the Superintendent's employment by providing one copy of the notice to the President of the Board and one copy to the Vice President of the Board. The Superintendent may provide such notices by hand delivery, or by certified mail, regular mail, and/or express delivery service, to the Board President and Vice President's addresses of record, as provided to the District.

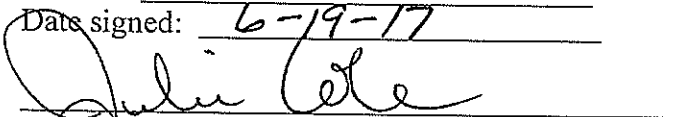
I have read this Contract and agree to abide by its terms and conditions:



Name: Steven A. Chapman

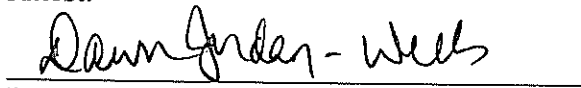
Address: _____

Date signed: 6-19-17


Hurst-Euless-Bedford Independent School District
By: Julie Cole
President, Board of Trustees

Date signed: 6-19-17

Attest:


Dawn Jordan-Wells
Secretary, Board of Trustees

Date signed: 6-19-17



School FIRST
Financial Integrity Rating System of Texas

Glossary

School FIRST
First Integrity Rating System of Texas
GLOSSARY

Accounting:

A standard school fiscal accounting system must be adopted 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 may be determined after the end of the fiscal year when 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 school districts this is the 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 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 Information Management System (PEIMS) as of the date prescribed by TEA.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 flow 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.

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).

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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.

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 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 recorded as Asset Object 1200.

Existing Debt Allotment (EDA):

Is the amount of state funds to be allocated to the district for assistance with existing debt.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 5900.

Fiscal Year:

A period of 12 consecutive months legislatively selected as the 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 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

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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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.

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 5700.

Local Tax:

This is all revenues from local real and personal property taxes, including recaptured funds from 1) Contracted Instructional Services Between Public Schools (Function 91) and 2) Incremental Costs associated with Chapter 41 of the Texas Education Code (Function 92).

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 eight major 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 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 change 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 operations 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 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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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 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 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 districts and campuses that use contract workers and those that do not.)*

PEIMS:

A statewide 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.

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.

School FIRST
First Integrity Rating System of Texas
GLOSSARY

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.

Robin Hood Funds:

See Wealth Equalization Transfer

Rollback Tax Rate:

Provides governments other than school districts 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 M&O portion of the rollback tax rate allows school districts to add four cents (\$0.04) 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, not 8 percent. 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.

Special Revenue Fund:

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

School FIRST
First Integrity Rating System of Texas
GLOSSARY

State Revenues:

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

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 Asset Balance:

The term net asset refers to the amount of total assets less total liabilities. Unrestricted net asset balance refers to the portion of total net assets 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 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.