



Texas Education Agency

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## **Financial Accountability**

[http://tea.texas.gov/Finance\\_and\\_Grants/Financial\\_Accountability/](http://tea.texas.gov/Finance_and_Grants/Financial_Accountability/)

# Financial Accountability Topics

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- Financial Integrity Rating System of Texas (FIRST)
- Annual Financial and Compliance Report (AFR) and Data Feed
- Financial Accountability System Resource Guide
- Useful Links
- Contact Information



# **FINANCIAL ACCOUNTABILITY TOOL**

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**SCHOOL FIRST**

# What is School FIRST?

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- School FIRST is a financial accountability rating system that holds school districts accountable for the quality of their financial management practices.



# Purpose of School FIRST

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- School FIRST is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes.
- School FIRST is a tool that creates transparency and discloses the quality of local management and decision-making processes that the school district uses concerning the financial resources the school district receives

# Rule and Statutory Authority

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- FIRST
  - ▶ Texas Administrative Code (TAC), Title 19, §109.1001 and 19 TAC §97.1055
  - ▶ Texas Education Code (TEC) §39.052 and §39.082
- Interventions and Sanctions
  - ▶ TEC §39.102
  - ▶ HB 5 of the 83<sup>rd</sup> Legislature amended Education Code



# Rule and Statutory Authority

## HB 5 amended Sec. 39.082, Education Code

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- Financial accountability rating system should include processes for anticipating the future financial solvency of each school district and open-enrollment charter school
  - Including analysis of revenues and expenditures
- Rating should be publicly available not later than **August 8** of each year (beginning with the 2014-2015 school year)

# Rule and Statutory Authority

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## 19 TAC §109.1001(b)

- The TEA will assign a financial accountability rating to each school district as required by the TEC, §39.082.

## 19 TAC §109.1001(c)

- The commissioner of education will evaluate the rating system every three years as required by the TEC, §39.082, and may modify the system in order to improve the effectiveness of the rating system. If the rating system has been modified, the TEA will communicate changes to ratings criteria and their effective dates to school districts.



# Criteria for Ratings

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19 TAC §109.1001(d)

- The TEA will use the following sources of data in calculating the financial accountability indicators for school districts:
  1. AFR
  2. Data feed
  3. PEIMS
  4. Warrant holds
  5. FSP
  6. Other sources, including, but not limited to the Internal Revenue Service, Teacher's Retirement System and Texas Workforce Commission

# **SCHOOL FIRST INDICATORS**

for

## **2015-2016 Ratings**

**Based on FY 2015 Data**

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**&**

## **2016-2017 Ratings**

**Based on FY 2016 Data**

**19 TAC §109.1001(e) and (h)**



## 2015 -2016 Ratings (FY 2015 Data) & 2016 -2017 Ratings (FY 2016 Data)

The indicators for 2015-2016 Ratings are the same as the 2016-2017 Ratings, but the point scales and ratings are different to allow a transition period.

Indicator	Points
1-5	Pass/Fail (Critical)
6	10
7	10
8	10
9	10
10	10
11	10
12	10
13	10
14	10
15	10
<b>Total</b>	<b>100</b>

Maximum Points

# 2015 -2016 Ratings

## (Based on FY 2015 Data)

- Must pass critical indicators to receive a passing rating (Superior, Above Standard, or Meets Standard rating)
  - A = Superior (70 – 100 points)
  - B = Above Standard (50 – 69 points)
  - C = Meets Standard (31 – 49 points)
- F = Substandard Achievement
  - 0 - 30 points or fail a critical indicator
  - Substandard data quality because the AFR and the data feed was not submitted on time and/or not complete for FIRST analysis





# 2016 -2017 Ratings (Based on FY 2016 Data)

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- Must pass critical indicators to receive a passing rating (Superior, Above Standard, or Meets Standard rating)
  - ▶ A = Superior (90 - 100 points)
  - ▶ B = Above Standard (80 - 89 points)
  - ▶ C = Meets Standard (60 - 79 points)
- F = Substandard Achievement
  - ▶ 0 - 59 points or fail a critical indicator
  - ▶ Substandard data quality because the AFR and the data feed was not submitted on time and/or not complete for FIRST analysis



# Critical Indicators

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Failure to meet the requirements of any critical indicator would cause a failure of FIRST

- ☐ Indicator 1: Timely Filing of the AFR and Data Feed
- ☐ Indicator 2: Unmodified Opinion and Material Weakness in the AFR Must pass 2.A to pass this indicator:
  - 2.A - Unmodified Auditor Opinion for the AFR, or
  - 2.B - No Material Weakness Noted on the AFR
- ☐ Indicator 3: Monetary Default on Debt
- ☐ Indicator 4: Timely Payments to Government Entities
- ☐ Indicator 5: Unrestricted Net Asset Balance



# Indicator 1

## Timely Submission of AFR

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- Was the complete annual financial report (AFR) and data submitted to 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?
- Critical Indicator – Yes or No response
- Aligns with Texas Education Code, § 44.008(d)
- Source : AFR and Data Feed



# Indicator 1

## Timely Submission of AFR

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- TEC, §44.008(d)

*(d) A copy of the annual audit report, approved by the board of trustees, shall be filed by the district with the agency not later than the 150th day after the end of the fiscal year for which the audit was made. If the board of trustees declines or refuses to approve its auditor's report, it shall nevertheless file with the agency a copy of the audit report with its statement detailing reasons for failure to approve the report.*



# Indicator 2

## Auditor Opinion and Material Weakness

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- Review the AFR for unmodified opinion and material weakness. 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.
- Critical Indicator – Yes or No response
- Source: AFR, and Data Feed, Schedule L-1



## **Indicator 2**

# **Auditor Opinion and Material Weakness**

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- 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.
  
- 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.)



# Indicator 3

## Monetary Default on Debt

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- 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.)
- Critical Indicator – Yes or No response
- Source: AFR, and Data Feed, Schedule L-1



# Indicator 4

## Overdue Payroll Tax

- 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?

(Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.)

- Critical Indicator – Yes or No response
- Source: AFR, and Data Feed, Schedule L-1
  - IRS tax information is included on the AFR.
  - TRS and TWC data is from the Texas Comptroller of Public Accounts.



Final Notice  
Just Ahead





# Indicator 5

## Total Net Assets

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- Was the total unrestricted net asset balance (Net of 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.)

- Critical Indicator – Yes or No response
- Source: AFR via the Data Feed, Schedules C-1 and L-1



# Solvency Indicators

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Each indicator focuses on the solvency of the entity

- ☐ Indicator 6: Days Cash On Hand
- ☐ Indicator 7: Current Assets to Current Liabilities Ratio
- ☐ Indicator 8: Long-Term Liability to Total Asset Ratio
- ☐ Indicator 9: General Fund Revenues Equal or Exceed Expenditures
- ☐ Indicator 10: Debt Service Coverage Ratio
- ☐ Indicator 11: Administrative Cost Ratio
- ☐ Indicator 12: Student to Staff Ratio Over 3 Year Period



# Indicator 6

## Days of Cash on Hand

- Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenses? (excluding facilities acquisition and construction)
- Range of 0 to 10 points on a sliding scale



Points	10	8	6	4	2	0
Days	≥90	<90 ≥75	<75 ≥60	<60 ≥45	<45 ≥30	<30

# Indicator 6

## Days of Cash on Hand

- Calculation:

<u>Cash &amp; Equivalents + Current Investments</u>	X	365
Total Expenses – Facilities Acq. and Const. – Pension Exp.		

- Source: AFR via the Data Feed, Schedules C-1, C-2 and L-1
  - ▶ Cash & Equivalents and Current Investments as reported on the Balance Sheet (General Fund) on the AFR
  - ▶ Total Expenses less facilities acquisition and construction as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance (General Fund) on the AFR
  - ▶ Pension expense will be excluded
  - ▶ Multiply the ratio by 365 to produce the number of days cash on hand



# Indicator 7

## Current Assets to Current Liabilities

- Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?
- This is a standard ratio used in commercial lending
- Range of 0 to 10 points on a sliding scale



Points	10	8	6	4	2	0
Ratio	$\geq 3.00$	$< 3.00$ $\geq 2.50$	$< 2.50$ $\geq 2.00$	$< 2.00$ $\geq 1.50$	$< 1.50$ $\geq 1.00$	$< 1.00$

# Indicator 7

## Current Assets to Current Liabilities

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- Calculation:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

- Source: AFR (Statement of Net Position) via the Data Feed, Schedule A1
- The current assets to current liabilities ratio indicates the ability to pay current liabilities with current assets in the near future.
- This indicator differs from days of cash on hand because that indicator analyzes how many days of expenditures you can pay with cash on hand.



# Indicator 8

## Long-Term Liabilities to Total Assets

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- 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.

- This indicator measures long-term solvency and leverage.
- It measures only the long-term portion of the school district's liabilities (bonds, and loans) and the total assets of the school district (school property, buildings, equipment, ect).



# Indicator 8

## Long-Term Liabilities to Total Assets

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- Range of 0 to 10 points on a sliding scale

Points	10	8	6	4	2	0
Ratio	$\leq 0.60$	$> 0.60$ $\leq 0.70$	$> 0.70$ $\leq 0.80$	$> 0.80$ $\leq 0.90$	$> 0.90$ $\leq 1.00$	$> 1.00$

- Calculation:

$$\frac{\text{Long-term Liabilities} - \text{Net Pension Liability}}{\text{Total Assets}}$$

- Source: AFR (Statement of Net Position) via the Data Feed, Schedules A-1 and L-1



# Indicator 9

## Expenditure Analysis

- 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?

- The calculation will use total revenues in the general fund, less facilities acquisition and construction and pension expense will be excluded
- Worth 0 or 10 points
- 10 points if revenues  $\geq$  expenditures (excl. facilities acquisition and construction)  
**or**  $\geq 60$  days of cash on hand



# Indicator 9

## Expenditure Analysis

- Calculation:

Total Revenue		
Total Expenditures – Facilities Acq. & Const. - Pension Expense	-1	> 0

- Source: AFR via the Data Feed, Schedules C-1, C-2 and L-1
  - ▶ Total Revenue and Total Expenditures as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance (General Fund) on the AFR
  - ▶ Facilities acquisition and construction and pension expense will be excluded



# Indicator 10

## Debt Service Coverage Ratio

- Was the debt service coverage ratio sufficient to meet the required debt service?
- Range of 0 to 10 points on a sliding scale



Points	10	8	6	4	2	0
Ratio	$\geq 1.20$	$< 1.20$ $\geq 1.15$	$< 1.15$ $\geq 1.10$	$< 1.10$ $\geq 1.05$	$< 1.05$ $\geq 1.00$	$< 1.00$

# Indicator 10

## Debt Service Coverage Ratio

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- Calculation:

$$\frac{\text{Total Revenue} - \text{Total Expenditures} + \text{Debt Service} + \text{Fund Code 599}}{\text{Debt Service (function codes 71, 72, and 73)}}$$

- Source: AFR via the Data Feed, Schedules C-2 and L-1
  - ▶ Total Revenue, Total Expenditures, and Debt Service from the Statement of Revenues, Expenditures, and Changes in Fund Balance (General Fund) on the AFR
  - ▶ Fund Code 599, the Debt Service Fund Balance, will be included in the numerator



# Indicator 11

## Administrative Cost Ratio

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- Was the school district's administrative cost ratio equal to or less than the threshold ratio?
- If a school district's administrative cost ratio is high that may reflect:
  - Financial inefficiency
  - "Top-heavy" organization
- Range of 0 to 10 points on a sliding scale



# Indicator 11

## Administrative Cost Ratio

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- Calculation:

$$\frac{\text{Sum of amounts for function codes 21 and 41}}{\text{Sum of amounts for function codes 11, 12, 13, and 31}}$$

- Includes object codes 61XX-64XX in fund code 199, except 6144
- Source: PEIMS and the Data Feed



# Indicator 11

## Administrative Cost Ratio



Points	10	8	6	4	2	0
ADA 10,000 and Above	$\leq 0.0855$	$> 0.0855$ $\leq 0.1105$	$> 0.1105$ $\leq 0.1355$	$> 0.1355$ $\leq 0.1605$	$> 0.1605$ $\leq 0.1855$	$> 0.1855$
ADA 5,000-9,999	$\leq 0.1000$	$> 0.1000$ $\leq 0.1250$	$> 0.1250$ $\leq 0.1500$	$> 0.1500$ $\leq 0.1750$	$> 0.1750$ $\leq 0.2000$	$> 0.2000$
ADA 1,000-4,999	$\leq 0.1151$	$> 0.1151$ $\leq 0.1401$	$> 0.1401$ $\leq 0.1651$	$> 0.1651$ $\leq 0.1901$	$> 0.1901$ $\leq 0.2151$	$> 0.2151$
ADA 500-999	$\leq 0.1311$	$> 0.1311$ $\leq 0.1561$	$> 0.1561$ $\leq 0.1811$	$> 0.1811$ $\leq 0.2061$	$> 0.2061$ $\leq 0.2311$	$> 0.2311$
ADA Less than 500-999	$\leq 0.2404$	$> 0.2404$ $\leq 0.2654$	$> 0.2654$ $\leq 0.2904$	$> 0.2904$ $\leq 0.3154$	$> 0.3154$ $\leq 0.3404$	$> 0.3404$
Sparse	$\leq 0.3364$	$> 0.3364$ $\leq 0.3614$	$> 0.3614$ $\leq 0.3864$	$> 0.3864$ $\leq 0.4114$	$> 0.4114$ $\leq 0.4364$	$> 0.4364$

# Indicator 12

## Student to Staff Ratio

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- Did the school district **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 district will automatically pass this indicator.

- Worth 0 or 10 points





# **Indicator 12**

## **Student to Staff Ratio**

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- Get 10 points if:
  - No change in ratio
  - Increase in ratio
  - Less than 15% decline in ratio
  - Student enrollment did not decrease

# Indicator 12

## Student to Staff Ratio

- Calculation:

<u>Student to Staff Ratio in Year Under Review</u>	-	1	> -0.15
Student to Staff Ratio 3 Years Prior to Year Under Review			

OR

Enrollment in Year Under Review	-	Enrollment 3 Years Prior	>	0
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- Source: PEIMS



# Financial Competence Indicators

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Each indicator identifies serious deficiencies in financial management

- ❑ Indicator 13: PEIMS to AFR (Data Feed)Data Quality
- ❑ Indicator 14: Material Noncompliance Noted on AFR
- ❑ Indicator 15: Foundation School Program (FSP) Hardship

# Indicator 13

## PEIMS Data Quality

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- 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?
- Calculation is different from previous years
- The sum of the absolute values of all differences in expenditures, by Function, in Fund Code 199 will be compared.





# Indicator 13

## PEIMS Data Quality

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- Sum of absolute values of all differences in expenditures between the Data Feed (Statement of Revenues, Expenditures, and Changes in Fund Balance (Schedule C-2)) and PEIMS, by function in **Fund Code 199**
- If the percent variance exceeds 3%, the PEIMS data is considered inaccurate.
- Worth 0 or 10 points
- Source:
  - Data Feed, Schedule C-2
  - PEIMS



# Indicator 14

## Material Noncompliance

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- 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.)

- Worth 0 or 10 points
- Covers local, state, and federal funds





# Indicator 15

## FSP Hardship

- Did the school district **not** receive an adjusted repayment schedule for more than one fiscal year for an overallocation of Foundation School Program (FSP) funds as a result of a financial hardship?
- Worth 0 or 10 points
- This indicator identifies school districts that cannot repay FSP funds without requesting an adjustment to their current repayment plan of FSP funds with the TEA.
- Source: State Funding Division records of request and approval



# **19 TAC §109.1001**

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**Issuance of Financial Accountability Rating  
Appeals  
Annual Financial Management Report**



# Ratings Overview

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- Issuance of PRELIMINARY ratings
- Appeal process
- Issuance of FINAL ratings

# Issuance of Rating

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19 TAC §109.1001

- (i) The commissioner may lower a financial accountability rating based on the findings of an action conducted under the TEC, Chapter 39.
- (j) A financial accountability rating remains in effect until replaced by a subsequent financial accountability rating.



# Issuance of Rating

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- (k) The TEA will issue a preliminary financial accountability rating to a school district or an open-enrollment charter school on or before August 8 of each year. The TEA will base the financial accountability rating for a rating year on the data from the fiscal year preceding the rating year.
  - ▶ (1) The TEA will not delay the issuance of the preliminary or final rating if a school district or an open-enrollment charter school fails to meet the statutory deadline under the TEC, §44.008, for submitting the AFR. Instead, the school district or open-enrollment charter school will receive an F rating for substandard achievement.

# Issuance of Rating

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- ▶ (2) If the TEA receives an appeal of a preliminary rating, described by subsection (l) of this section, the TEA will issue a **final rating** to the school district or open-enrollment charter school no later **than 60 days** after receiving the appeal.
- ▶ (3) If the TEA does not receive an appeal of a preliminary rating, described by subsection (l) of this section, the preliminary rating automatically becomes a **final rating 31 days after issuance** of the preliminary rating.



# Preliminary Rating Appeals

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- (l) A school district or an open-enrollment charter school may appeal its preliminary financial accountability rating through the following appeals process.
  - ▶ (1) The TEA division responsible for financial **accountability must receive a written appeal no later than 30 days** after the TEA's release of the preliminary rating. The appeal must include adequate evidence and additional information that supports the school district's or open-enrollment charter school's position. Appeals received 31 days or more after TEA issues a preliminary rating will not be considered.

# Preliminary Rating Appeals

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- ▶ (2) A data error attributable to the TEA is a basis for an appeal. If a preliminary rating contains a data error attributable to the TEA, a school district or an open-enrollment charter school may submit a written appeal requesting a review of the preliminary rating.



# Preliminary Rating Appeals

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- ▶ (3) A school district or an open-enrollment charter school may appeal any adverse issue it identifies in the preliminary rating. However, the financial accountability rating system is required to apply the rules uniformly. Therefore, an error by a school district or an open-enrollment charter school in recording data or submitting data through the TEA data collection and reporting system is not a valid basis for appealing a preliminary rating and unlikely to negate concerns raised by the indicator. The appeals process is not a permissible method to correct data that were inaccurately reported by the school district or open-enrollment charter school after those data were certified as accurate. A request for exception to the rules for a school district or an open-enrollment charter school is disfavored and likely to be denied.

# Preliminary Rating Appeals

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- ▶ (4) The TEA will only consider appeals that would result in a change of the preliminary rating.
- ▶ (5) The TEA division responsible for financial accountability will select an external review panel to independently oversee the appeals process.
- ▶ (6) The TEA division responsible for financial accountability will submit the information provided by the school district or open-enrollment charter school to the external review panel members for review.



# Preliminary Rating Appeals

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- ▶ (7) Each external review panel member will examine the appeal and supporting documentation and will submit his or her recommendation to the TEA division responsible for financial accountability.
- ▶ (8) The TEA division responsible for financial accountability will compile the recommendations and forward them to the commissioner.
- ▶ (9) The commissioner will make a final ratings decision.
- (m) A **final rating** issued by the TEA under this section may not be appealed under the TEC, §7.057, or any other law or rule.

# Other Ratings

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- (n) A financial accountability rating by a voluntary association is a local option of the school district or open-enrollment charter school, but it does not substitute for a financial accountability rating by the TEA.



# **Reporting Requirements**

## **Annual Financial Management Report**

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TEC §39.083 and 19 TAC §109.1001(o)(1) and (2)

Each school district is required to report information and financial accountability ratings to parents, taxpayers, and other stakeholders by implementing the following reporting procedures.

- Each school district must prepare and distribute an annual financial management report.
- Each school district must provide the public with an opportunity to comment on the report at a public hearing.

# **Reporting Requirements**

## **Annual Financial Management Report**

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19 TAC §109.1001(o)(3)

The school district's annual financial management report must include:

- A description of its financial management performance based on a comparison, provided by the TEA, of its performance on the indicators established by the commissioner and reflected in this section. The report will contain information that discloses:
  - i. State – established standards; and
  - ii. The school district's financial management performance under each indicator for the current and previous year's financial accountability ratings.



# Reporting Requirements

## Annual Financial Management Report

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- Descriptive information required by the commissioner of education, including:
  - i. A copy of the superintendent's current employment contract or other written documentation of employment where no contract exists. This must disclose all compensation and benefits paid to the superintendent. The school district school may publish the superintendent's employment contract on its website instead of publishing it in the annual financial management report;
  - ii. A summary schedule for the fiscal year (12 month period) of expenditures paid on behalf of and/or total reimbursements received by the superintendent and each board member, including transactions resulting from use of the school district's credit card(s) to cover expenses incurred by the superintendent and each board member;

# Reporting Requirements

## Annual Financial Management Report

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- iii. A summary schedule for the fiscal year of the dollar amount of compensation and fees received by the superintendent from any other outside entity in exchange for professional consulting and/or personal services;
- iv. A summary schedule for the fiscal year of the total dollar amount of gifts that had a total economic value of \$250 or more received by the executive officers and board members.



# **Reporting Requirements**

## **Annual Financial Management Report**

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- V.** A summary schedule for the fiscal year of the dollar amount by board member for the aggregate amount of business transactions with the school district;
- Any other information the board of trustees of the school district determines to be useful.

# Reporting Requirements

## Public Hearing

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19 TAC §109.1001(o)(4)

- The board of trustees of each school district must hold a public hearing on the annual financial management report within two months after receiving a **final** financial accountability rating.
- The public hearing must be held at a location in the school district's facilities. The board must give notice of the hearing to owners of real estate property in the geographic boundaries of the school district and to parents of the school district's students. In addition to other notice required by law, notice of the hearing must be provided:



# Reporting Requirements

## Public Hearing

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- A. to a newspaper of general circulation in the geographic boundaries of the school district once a week for two weeks prior to holding the public meeting, providing the time and place of the hearing.
  - The first notice in the newspaper may not be more than 30 days prior to the public meeting or less than 14 days prior to the public meeting.
  - If no newspaper is published within the geographic boundaries of a school district's campus, then the board must publish the notice in the county nearest to the county seat of the county in which the campus of the school district is located; and

# Reporting Requirements

## Public Hearing

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- B. through electronic mail to the mass communication media serving the school district, including, but not limited to, radio and television.



# Reporting Requirements

## Public Hearing

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### 19 TAC §109.1001(o)(5)

- At the hearing, the school district must provide the annual financial management report to the attending parents and taxpayers.

### 19 TAC §109.1001(o)(6)

- The school district must retain the annual financial management report for at least three years after the public hearing and make it available to parents and taxpayers upon request.

# Corrective Action Plan

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19 TAC §109.1001(o)(6)

- Each school district that received an **F rating** must file a corrective action plan with the TEA, prepared in accordance with instructions from the commissioner, within one month after the school district's public hearing.
- The commissioner may require certain information in the corrective action plan to address the factor(s) that may have contributed to a school district's **F rating**.



# **ANNUAL FINANCIAL and COMPLIANCE REPORT AND**

## **DATA FEED**

# Annual Financial & Compliance Report

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School districts are required to:

- Submit their financial statements electronically for the information contained in the audit report
- Prepare its annual financial statements and have them audited by a licensed independent CPA firm
- Have the audited AFR approved by the board
- Prepare a PDF version of its board-approved, audited AFR



# Annual Financial & Compliance Report

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- Ensure that the AFR PDF file includes the:
  - signed certificate of board approval and audit firm signatures,
  - (if issued) management letter, which may be submitted as a separate PDF file, and
  - (applies to districts only) Schedule L-1, Required Responses to Selected School FIRST Indicators, which may be submitted as a separate PDF file
- Prepare its data feed text file.
- Ensure that the financial information in its AFR and data feed are consistent.

# Annual Financial & Compliance Report

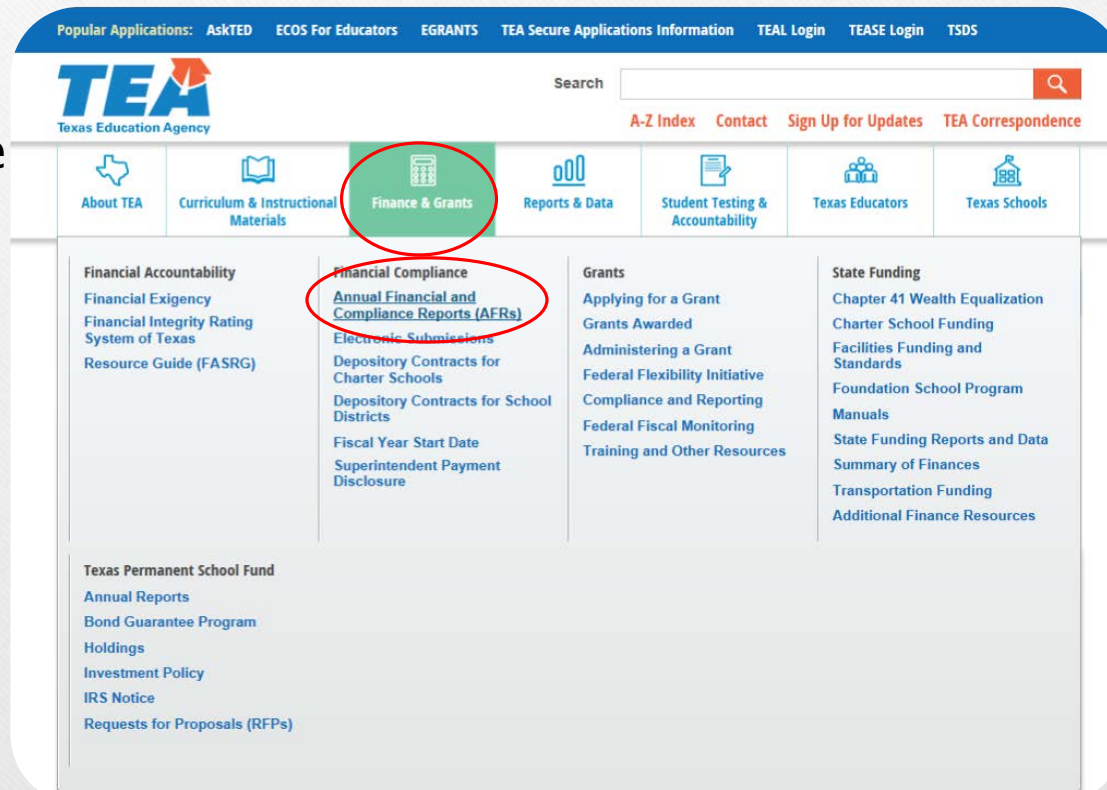
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- Submit the following documents through **the AUDIT and Indirect Costs application in the TEA Secure Environment (TEASE)**:
  - board-approved AFR PDF file
  - Schedule L-1 PDF file (if separate from the AFR)
  - management letter (if issued) and
  - data feed text file.
- Submit a copy of the resulting AFR with accompanying audit reports in electronic format and the data feed to TEA no later than 150 days after the close of their respective fiscal year, which is **November 27** or **January 28** depending on the school district's fiscal year end date of June 30 or August 31, respectively



# Annual Financial & Compliance Report

TEA  
Homepage



# **FINANCIAL ACCOUNTABILITY SYSTEM RESOURCE GUIDE**

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**(FASRG)**



# FASRG – Rules

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- Texas Administrative Code (TAC) §109.41
- Describes the rules for financial accounting
- Currently using Version 15.0
  - The only changes made in version 15.0 of the FASRG are minor changes made to Module 4. The remaining modules remain unchanged from Version 14.0
- [http://tea.texas.gov/Finance\\_and\\_Grants/Financial\\_Accountability/Financial\\_Accountability\\_System\\_Resource\\_Guide/](http://tea.texas.gov/Finance_and_Grants/Financial_Accountability/Financial_Accountability_System_Resource_Guide/)

# FASRG – Webpage

## **Version 15.0**

[Instructional Materials Allotment - Accounting Transactions Update - November 8, 2011](#)

[Addendum - New Account Codes Update - May 23, 2011](#)

[Module 1 Financial Accounting and Reporting \(FAR\)](#)

[Module 1 FAR Appendices](#)

[Module 2 Budgeting](#)

[Module 3 Purchasing](#)

[Module 4 Auditing](#)

[Module 5 Site Based Decision Making](#)

[Module 6 Accountability](#)

[Module 7 Data Collection and Reporting](#)

[Module 8 Management](#)

[Module 9 State Compensatory Education](#)

[Module 10 Special Supplement - Charter Schools](#)

[Module 11 Special Supplement - Non-Profit Charter School Chart of Accounts](#)



# FASRG – Revisions

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- The FASRG is currently being revised starting with Module 1.
- For historical versions of the FASRG, please contact the Division of Financial Accountability at [financialaccountability@tea.texas.gov](mailto:financialaccountability@tea.texas.gov)

# **USEFUL LINKS**

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# FASRG & TEA Correspondence

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- Financial Accountability System Resource Guide (FASRG)  
[http://tea.texas.gov/Finance\\_and\\_Grants/Financial\\_Accountability/Financial\\_Accountability\\_System\\_Resource\\_Guide/](http://tea.texas.gov/Finance_and_Grants/Financial_Accountability/Financial_Accountability_System_Resource_Guide/)
- TEA Correspondence (To the Administrator Addressed)  
[http://tea.texas.gov/taa\\_letters.aspx](http://tea.texas.gov/taa_letters.aspx)

# Annual Financial & Compliance Report

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- Annual Financial and Compliance Report Submission  
[http://tea.texas.gov/Finance\\_and\\_Grants/Financial\\_Compliance/Annual\\_Financial\\_and\\_Compliance\\_Report/](http://tea.texas.gov/Finance_and_Grants/Financial_Compliance/Annual_Financial_and_Compliance_Report/)
- Electronic Submissions for School Districts  
[http://tea.texas.gov/Finance\\_and\\_Grants/Financial\\_Compliance/Electronic\\_Submissions/](http://tea.texas.gov/Finance_and_Grants/Financial_Compliance/Electronic_Submissions/)



# School FIRST

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- Ratings on TEA's Website

[http://tea.texas.gov/Finance\\_and\\_Grants/Financial\\_Accountability/Financial\\_Integrity\\_Rating\\_System\\_of\\_Texas\\_\(FIRST\)/Financial\\_Integrity\\_Rating\\_System\\_of\\_Texas/](http://tea.texas.gov/Finance_and_Grants/Financial_Accountability/Financial_Integrity_Rating_System_of_Texas_(FIRST)/Financial_Integrity_Rating_System_of_Texas/)

- Texas Administrative Code for FIRST Rules (19 TAC §109.1001)

<http://ritter.tea.state.tx.us/rules/tac/index.html>

# Contact Information

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  - ▶ Chanda Williams                      (512) 475-2012 or [chanda.williams@tea.texas.gov](mailto:chanda.williams@tea.texas.gov)