

Financial Solvency

Review

Texas Education Code (TEC), §39.0822

FINANCIAL SOLVENCY REVIEW REQUIRED. (a) The agency shall develop a review process to anticipate the future financial solvency of each school district.

- District revenues and expenditures
- Student-to-staff ratios
- Rate of change in the unreserved general fund balance
- Number of students
- Adopted tax rate
- *Independent audit report*
- *Actual financial information for the first quarter*

Identifying Districts for Review

- 4 flags can be set:
 - Student-to-staff ratio
 - Expenditures exceeding revenues
 - Actual expenditures exceed budget

- Low/declining fund balance

Student-to-Staff Ratios

- WADA-to-staff ratio and teacher-to-student ratio both used
- Considered the best leading indicator(s) of financial problems
- Districts divided into groupings based on number of students

Teaching Staff

Total Staff

AISD Ratio Examples

- WADA / total staff
- $101,458.428 / 7,479.36 = 13.56$

- Enrollment / teachers
- $84,676 / 5,975.66 = 14.17$

Group Averages

Student-to-Staff Ratios

Student-to-staff ratio flag

set if ratio —

- Less than 85% of enrollment group average
- Declined by more than 7%

General Fund

Expenditures

Exceeding Revenues

Expenditure flag set if expenditures exceed revenues by —

- More than 6%
- More than 4% and more than 3% in the prior year

Actual Expenditures

Exceed Budget

- Measures ability to stay

within budget

- Flag set if expenditures exceed budget by —

- More than 10%

- More than 6% and more than 4%

in year before

Fund Balance

- An alert for a rapid depletion in the unreserved general fund

balance is specifically mentioned in statute.

- In addition, an alert is triggered for districts with a very low or negative fund balance as these districts are clearly struggling with solvency issues.

Identifying Districts for Review

- Fund balance most important

- Districts identified if have —
 - 3 or more flags
 - Fund balance flag + 1 other flag
 - Fund balance less than 1% of expenditures
- 2010 => 30 Districts / 30 Charters

First-Quarter Expenditure

Survey

First-Quarter Expenditure

Survey

First-Quarter

Expenditure Survey

First-Quarter

Expenditure Survey

Review Process

- TEC, §39.0823

- Districts identified as having problems submit —
 - Interim financial reports

 - Staff and student counts

Financial Plan

- ▶ If data confirm problem, district must submit financial plan to agency for approval

Accredited-Warning Status

- ▶ If plan not acceptable or

not followed,
Accredited–Warned
status

- ▶ Questions on financial solvency?

TEA Financial Reports

- PEIMS financial reports and data downloads

- Audit (balance sheet report)
- *Summary of Finances (SOF)*

School Finance

Reports

School Finance Reports

Scroll to Middle of

Page

PEIMS Financial Reports

District Drop-Down

PEIMS Financial Report

(Revenues)

Expenditures

New Audit Report (C1

Schedule)

New Audit Report (C1
Schedule)

Liabilities

Fund Balances

New *SOF*
report –
coming soon

New *SOF*

Report Selection List

District Selection

Run-ID Selection

SOF: HTML

**SOF: PDF (Consolidated
Report)**

SOF: Excel

Cost of Recapture

Report

Cost of Recapture

Report

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