

CANUTILLO A Premier District

2018 Annual Financial Accountability Management Report

For the Year Ended June 30, 2017

Dr. Pedro Galaviz, Superintendent
Martha E. Piekarski, Chief Business Officer
Cristina Pulley, Director of Financial Services

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§109.1001. Purpose of Financial Accountability Rating System.

The purpose of the financial accountability rating system is to ensure that school districts and open-enrollment charter schools will be held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system 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. The system will also disclose the quality of local management and decision-making processes that affect the allocation of financial resources in Texas public schools. An evaluation of the long-term effectiveness of the system should disclose a measurable improvement in the quality of Texas public schools' financial decision-making processes.

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Financial Integrity Rating System of Texas

2017-2018 RATINGS BASED ON SCHOOL YEAR 2016-2017 DATA - DISTRICT STATUS DETAIL

Name: CANUTILLO ISD(071907)		Publication Level 1: 8/6/2018 2:48:24 PM	
Status: Passed		Publication Level 2: 8/8/2018 12:11:29 PM	
Rating: B = Above Standard		Last Updated: 8/8/2018 12:11:29 PM	
District Score: 86		Passing Score: 60	
#	Indicator Description	Updated	Score
1	<u>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?</u>	4/20/2018 8:33:08 AM	Yes
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.		
2.A	<u>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.)</u>	4/20/2018 8:33:09 AM	Yes
2.B	<u>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.)</u>	4/20/2018 8:33:09 AM	Yes

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3	<p><u>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.)</u></p>	4/20/2018 8:33:09 AM	Yes
4	<p><u>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?</u></p>	4/20/2018 8:33:09 AM	Yes
5	<p><u>Was the total unrestricted net position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero? (If the school district's change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.)</u></p>	4/20/2018 8:33:09 AM	Yes
			1 Multiplier Sum
6	<p><u>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)? (See ranges below.)</u></p>	4/20/2018 8:33:10 AM	6
7	<p><u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u></p>	4/20/2018 8:33:10 AM	4
8	<p><u>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 7 percent or more, then the school district passes this indicator.) (See ranges below.)</u></p>	4/20/2018 8:33:10 AM	8

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9	<u>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?</u>	4/20/2018 8:33:10 AM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	4/20/2018 8:33:11 AM	10
11	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	4/20/2018 8:33:11 AM	8
12	<u>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.)</u>	6/19/2018 11:09:30 AM	10
13	<u>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?</u>	4/20/2018 8:33:12 AM	10
14	<u>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.)</u>	4/20/2018 8:33:12 AM	10
15	<u>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?</u>	4/20/2018 8:33:12 AM	10
			86 Weighted Sum
			1 Multiplier Sum
			86 Score

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DETERMINATION OF RATING

A.	Did the district answer ' No ' to Indicators 1, 3, 4, 5, or 2.A? If so, the school district's rating is F for Substandard Achievement regardless of points earned.	
B.	Determine the rating by the applicable number of points. (Indicators 6-15)	
	A = Superior	90-100
	B = Above Standard	80-89
	C = Meets Standard	60-79
	F = Substandard Achievement	<60
<p>No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.</p>		

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Introduction

This is the fifteenth year of School FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency (TEA) in response to Senate Bill 875 of the 76th Texas legislature in 1999. Senate Bill (SB) 218, which was passed during the 77th Texas Legislature, Regular Session, 2001, authorized the implementation of a financial accountability rating system, which officially is referred to as School FIRST.

The school district's School FIRST rating is based upon an analysis of staff and student data reported for the 2016-2017 school year, as well as budgetary and actual financial data for the 2017 fiscal year. This law requires each school district to prepare an Annual Financial Accountability Management Report no later than sixty days after the final report is received. The Canutillo Independent School District's (CISD) final rating was officially received on September 9, 2018.

In December 2007, TEA adopted Planning and Accountability, Subchapter EE, Accreditation Status, Standards, and Sanctions. This subchapter, which became effective in January 2008, defined the accreditation statuses of Accredited, Accredited-Warned, Accredited-Probation, and Not Accredited-Revoked and stated how accreditation statuses would be determined and assigned to school districts. Under these rules, TEA will take into consideration a district's School FIRST rating when assigning an accreditation status.

Additionally, district's final School FIRST rating may affect its special education determination status as issued by the TEA Division of Individuals with Disabilities Education Act Coordination.

Many business-related issues are covered in this report. The primary reporting tool, however, is the Financial Integrity Rating System of Texas.

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This worksheet was developed by representatives of the Texas Education Agency, the Texas Business & Education Council and the Texas Association of School Business Officials (TASBO). It is administered by TEA and calculated on information submitted to the Agency via each year's PEIMS submission. PEIMS data has always been critical on the student side of the submission, and this rating has added a greater degree of importance to the financial submission.

For this rating year, the worksheet consists of fifteen indicators. Five critical indicators are yes/no answers and the other ten are on a ten point scale. A "No" response in indicators #1, #2, #3, #4 or #5 automatically results in a rating of Substandard Achievement.

The Canutillo Independent School District has earned a rating of "Above Standard", CISD passed 15 of the 15 indicators this year. The worksheet itself and a discussion of the individual indicators follow.

Beginning with the 2007 calendar year, five required disclosures were added to the financial management report in accordance with Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System. You will find these in the section labeled Required Disclosures.

Disclosure number six related to Financial Solvency was added two years ago. The purpose of the Financial Solvency Review disclosure is to anticipate the future solvency of the District. A district is considered solvent if it is able to pay its' debts as they come due. This would not include debts, which are subject to a bona fide dispute.

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HB 3 of the 81st Legislative Session, 2009 stated that the rating system might include an indicator that requires a school district to spend at least 65% or any other specified percentage for instructional purposes. As a result, two indicators were removed and the indicators were renumbered.

Also included in the back of the report is a glossary of terms used within this report. This will assist the reader in understanding the individual indicators and this report.

Please contact Martha E. Piekarski at (915) 877-7515 or Cristina Pulley at (915) 877-7425, if you have any questions or comments.

OVERVIEW OF THE WORKSHEET

Critical Indicators

Indicators # 1 through #5 are the critical indicators. Any "NO" response in this category is considered to be a signal of fiscal distress. These five Criteria revolve around the fund balance and the external auditor's findings. If the General Fund and Unrestricted Net Asset balances are greater than zero and the auditors issue an "unqualified" opinion, on time, without any disclosures or internal control issues, the District will pass the critical indicators. For Fiscal Year 2017, the Canutillo Independent School District had an Unassigned General Fund Balance of \$11,417,169 and passed all five indicators.

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Solvency

Indicator #11 addresses solvency on the administrative cost ratio. Canutillo Independent School District’s administrative cost ratio was 11.14%, earning it 8 points out of the 10. Following are tables reflecting how CISD compares to other Districts in the County, as well as to other Districts in Texas with similar Average Daily Attendance (ADA) rate size.

District Name	ADA	Admin Ratio	Points
Anthony ISD	813.2	17.51%	6
Tornillo ISD	1,060.3	15.95%	6
Fabens ISD	2,172.6	9.70%	10
San Elizario ISD	3,540.3	12.42%	8
Canutillo ISD	5,577.0	11.14%	8
Clint ISD	10,709.3	9.47%	8
Ysleta ISD	38,467.1	6.21%	10
Socorro ISD	42,887.6	5.50%	10
El Paso ISD	54,324.8	4.81%	10

Sources: TEA First Ratings Based on 2016-2017 School Year Data

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2017-2018 Administrative Cost Ratio Comparison				
With Comparable ADA Size				
Based on School Year 2016-2017 Data				
District Name	ADA	Admin Ratio	Points	Region
Aledo ISD	5,243.8	8.99%	10	11
Red Oak ISD	5,478.9	14.94%	6	10
Crosby ISD	5,570.6	7.18%	10	4
Canutillo ISD	5,577.0	11.14%	8	19
Friendswood ISD	5,806.7	10.36%	8	4
Nacagdoches ISD	5,927.5	12.00%	8	7
Roma ISD	5,989.7	9.33%	10	1
Sources: TEA First Ratings Based on 2016-2017 School Year Data				

Financial Competence

Indicators #13 through #15 address expenditure variance and the external auditors report on the Annual Financial Report free of material weaknesses. Canutillo Independent School District received the maximum points on these indicators.

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Summary

The Canutillo Independent School District School Board, campus staff, administrators and the community have worked diligently to improve the financial position rating of the Canutillo Independent School District over the past year. This report demonstrates this improvement to all interested parties. We anticipate further improvement in the coming years.

OTHER DATA CONCERNING THE DISTRICT'S OPERATIONS

The purpose of this section of the report is to discuss other aspects of business operations not covered by the indicators, but suggested by law as items of significance meriting discussion. The indicators are a good basic tool with which to assess primary business practices. Administration is always working towards improvement in all aspects of the operation to maximize funds available to campuses for educational purposes and to the ancillary departments that support the campuses.

Financial Strength

The State of Texas recommends discussion of the District's financial strength. This is a difficult topic to address because there are many measures of financial strength, some better than others, and there may not be a consensus as to which one is the best measure. At the Canutillo Independent School District, one significant financial indicator of strength is the District's ability to meet cash flow needs each year without borrowing money. The District has not borrowed funds for operating reasons, which indicates adequate financial strength and liquidity.

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Financial Trends

An analysis of the Canutillo Independent School District over a two year period from the year ending June 30, 2016 to June 30, 2017, reveals the following trends in the General Fund:

- 1) The District's M&O tax rate remained \$1.17 per \$100 of valuation and the I&S tax rate remained at \$0.360.
- 2) The District's revenues increased slightly by \$2 million from \$58.6 million to \$60.6 million.
- 3) The District's expenditures increased slightly by \$650 thousand from \$59,306,377 million to \$59,958,436 million.
- 4) The District's Unassigned Fund Balance increased by \$1.5 million from \$ 9.9 to \$11.4 million.

The resulting impact on the Districts' fund balance is discussed in further detail below. The administration and staff continue to focus on maximizing every revenue source available while undergoing the ongoing "belt-tightening" on the expenditure side.

Fund Balance

Canutillo Independent School District plans to keep substantial reserves due to the financial uncertainties surrounding school funding, the state's budget issues and other economic factors. For example, construction and utility costs, as well as changes in property tax appraisal values may impact the District's expenditures or revenues.

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When at the optimum level, Canutillo Independent School District would be able to use fund balance to make payroll and pay other operating costs for approximately two months. At year end, the District could have survived about fifty-three days by using fund balance.

Operating Cost Management

An indicator the State of Texas uses to measure operating cost efficiency is the administrative cost ratio. Texas' formula is mandated by law. Simply, it takes administrative costs and divides them by instructional costs to arrive at a percentage. A district's size determines their allowable administrative cost percentage.

Based on Canutillo Independent School District's size, the maximum allowable administrative cost ratio is 10.0%. Canutillo Independent School District's actual administrative cost ratio for FY 2017 was 11.14%. Administration continues to work to decrease this ratio.

In a time of rising salaries and increased costs, Canutillo Independent School District has held the line on administrative cost increases as a percentage of instructional costs.

The focus of the District has been, and continues to be, to funnel every possible dollar to the campus level to serve the needs of the students first.

Only a small portion of General Fund expenditures is flexible or variable in nature. Salaries and benefits comprise the largest expenditure each year at approximately 86%. Therefore, once those large expenditures are removed from the equation, only a small portion, 14% of the budget remains that can be affected by cost containment methods.

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Supplies, materials, travel, staff development and a few contracted services comprise the remaining expenditures. These costs are referred to as controllable operating costs. For the last several years, the Canutillo Independent School District has consistently spent at least 53% of its total operating expenditures on instruction.

This demonstrates how the District's goal of dedicating operating costs to student achievement has remained a priority.

Personnel Management

The District's longstanding goal is to attract and retain qualified teachers and staff, and to offer a competitive salary and benefits package each year. To obtain this goal, the District has been increasing beginning salaries for teachers, librarians, nurses and counselors. Second to our students' welfare and education, attracting and retaining a quality teaching staff remains a priority at the Canutillo Independent School District.

Debt Management

At year-end, the District had \$114.5 million in long-term debt outstanding versus \$112.1 million at the end of 2017. New debt issued in 2018 included \$8.4 million and debt reductions of \$11 million.

The District has aggressively managed its debt by competitive bidding to obtain the best interest rates available and by refinancing existing debt for lower rates when in the best interest of the District.

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Cash Management

In prior years, the Financial Integrity Rating System of Texas worksheet contained several criteria specifically targeting cash management procedures. Deferred revenues will be recognized as revenue in a future period once they are classified as earned. As long as the deferred revenue is less than the total of cash and investments, the district is not dipping into future reserves to pay current liabilities. Management of current budgeted expenditure outflows and incoming revenue streams affect the Fund Balance.

Management of liquid assets begins with developing a cash requirements forecast, which balances the need for cash to pay obligations and the timing of the revenue stream. When cash revenues coming into the District will be insufficient to meet expenditure needs, maturities of investments are timed to fill in the gaps. Based on historical patterns and seasonal data unique to Canutillo Independent School District, a projection of how much cash will be needed and approximately, when it will be needed is constructed. The timing of major projects, maintenance, construction, and initiatives planned for the current year and for future periods is also taken into consideration.

The State computes the amount of funding due to our District for the fiscal year and produces a schedule of monthly payments. The calculations are verified (adjusted if necessary) and this revenue stream is matched to the timing of expenditure obligations. The monthly volume of tax revenues varies seasonally, so historical data along with any new variables is combined with the variation in the tax levy from one year to the next to project the cash flow. This projected revenue stream is then compared to the expected expenditures.

The cash requirements forecast governs the timing of investment maturities; however, the type of investments purchased by the District is

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guided by the investment policy found in CDA Legal and CDA Local. The objectives of cash management, in order of importance, are suitability to meet cash requirements, safety (low risk), liquidity, marketability, diversity and yield. Authorized types of investments are described in the policy, and the District chooses which investment type to purchase based on the best rate available for the maturity date, which coincides with the cash requirements.

During Fiscal Year 2017 the District earned interest on interest bearing accounts with the depository bank, and invested funds in several investment pools, to include Texas Class and Lone Star. This mixture provided the portfolio with diversification and sufficient liquidity.

The efficient management of budgets and the Fund Balance has provided an adequate cash flow so that at no time has the District been short of cash when needed. No investment has been sold before its scheduled maturity date, nor has the district been forced to borrow funds to meet cash obligations.

Tax Collections

The tax collections are contracted with the Central Appraisal District through the City of El Paso. The minimum criterion is 98%, and currently CISD collections average 98.12% each year.

Budgetary Planning & Financial Allocations

The District's budget process begins in July each year, with the development of the budget calendar. Enrollment projections are determined in December in order to estimate revenues and develop budget allocations for campuses and departments. Funds allocated to campuses based on a number of criteria, including number of students, special populations, performance and type of campus.

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Support departments' allocations are based on zero based budgeting for future years' needs. Special project requests for additional or supplemental funds are considered individually each year.

The budget process is a proactive and highly participatory one. In April, preliminary state and local revenue calculations are made. Decisions are made on special project requests, revenue data is fine-tuned and a final budget is submitted to the Board of Trustees for approval by June 30.

Each campus or department may amend their budget when their plans or needs change after the original budget is adopted. The decentralized style of budget management is required by the State of Texas to a certain degree. Site-based decision making is a method of campus empowerment. Most importantly, it is a system that works best in the long run for all by allowing those close to the situation to allocate resources where they are needed most, especially when those needs are in constant motion.

CERTIFICATIONS AND TRAINING

The Canutillo Independent School District financial staff includes the following members with their certifications and training:

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Chief Business Officer - Martha E. Piekarski, CPA/CFF, CGMA, RSBA, RTSBA, is a native El Pasoan and a graduate of the University of Texas at Austin. She became a Certified Public Accountant (CPA) in 1986 and continues her professional development with the recent designation of Certified in Financial Forensics (CFF). She is a State Director for the local Texas Society of CPA's (TSCPA) chapter and a member of the state TSCPA Audit Committee. Martha is a Registered School Business Administrator (RSBA) per the Association of School Business Officials International (ASBO), as well as a Registered Texas School Business Official (RTSBA) per TASBO. She was a member of the first graduating class of the TASBO Mentoring Program. Martha has several years of industry experience, most recently with General Mills. She was hired by EPISD in April 2002 and began her school district career as an internal auditor. She was promoted to Executive Director in August 2004. Martha received a certificate of achievement from EPISD's Executive Leadership Development Academy. In October of 2014, Martha became Canutillo ISD's Chief Financial Officer after some restructuring.

Director of Financial Services - Cristina Pulley, CPA, RTSBA, is a graduate of the University of Texas at El Paso with a major in Accounting. She became a Certified Public Accountant in 2003 and continues her professional education for a minimum of 40 hours per year to maintain her CPA certificate. Presently, she is serving as Treasurer for the El Paso TASBO chapter and past vice president. For eight years, she was in public practice with Clifford, Ross, Raudenbush & Cooper LLC where she audited New Mexico governmental entities, including public schools. In February 2012, Cristina was hired by the El Paso Independent School District and began her school district career as a Program Accountant and was later promoted to Financial Analyst. In October 2016, Cristina joined the Canutillo Independent School District as Director of Finance.

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CONCLUSION

The administration believes that the Canutillo Independent School District has sound financial practices when measured by the State of Texas FIRST indicators and measured by the District's own internal analysis. The District has financial challenges ahead such as, completing bond construction on time and within budget, maintaining salaries at a competitive level and increasing the unassigned fund balance. The District is moving in the right direction both financially and educationally.

Needless to say, this has been a team effort. Many thanks are owed to teachers, campus administrators, support staff, the Board of Trustees, central office administrators, volunteers and members of the public who have given valuable input into the budgeting process and in many cases have made sacrifices to assist the District in achieving its current financial position.

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Required Disclosures

In 2007, new reporting requirements became effective for the financial management report that is distributed at the School FIRST public hearing. Per Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, the six (6) disclosures explained below must be presented in the School FIRST financial management report.

1. The Superintendent's Employment Contract

A copy of the superintendent's current employment contract at the time of the School FIRST hearing is to be provided. In lieu of publication in the School FIRST financial management report, the school district may choose to publish the superintendent's employment contract on the school's internet site. If published on the Internet, the contract is to remain accessible for twelve months. Dr. Pedro Galaviz' employment contract is published on our website at www.canutillo-isd.org.

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2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2017:

The spirit of the rule is to capture all "reimbursements" for fiscal year 2017, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

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

Lodging - Hotel charges.

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

Motor fuel- Gasoline.

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

The following chart is a summary the reimbursements for the Superintendent and Board members from July 1, 2016 through June 30, 2017:

**Reimbursements Received By Superintendent and Board Members
July 1, 2016 through June 30, 2017**

	Meals	Lodging	Car Rental	Airfare	Taxi	Other-Registration	Grand Total
Superintendent							
Pedro Galaviz	670	2,278	779	2,210	-	3,497	9,434
total	670	2,278	779	2,210	-	3,497	9,434
Board Members							
Annette Brigham	310	1,263	-	610	-	910	3,093
total	-	-	-	-	-	-	3,093
Stephanie Fietze	365	2,324	-	1,240	-	834	4,763
total	365	2,324	-	1,240	-	834	4,763
Rachel Quintana	195	683	-	340	-	545	1,763
total	195	683	-	340	-	545	1,763
Armando Rodriguez	1,095	3,960	997	1,901	-	1,755	9,708
total	1,095	3,960	997	1,901	-	1,755	9,708
Laure Searls	550	2,888	336	957	-	1,662	6,392
total	550	2,888	336	957	-	1,662	6,392
Blanca Trout	685	1,675	-	1,116	-	694	4,170
total	685	1,675	-	1,116	-	694	4,170
Mary Yglesias	505	1,735	-	1,476	-	1,435	5,151
total	505	1,735	-	1,476	-	1,435	5,151

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3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2017:

Compensation does not include business revenues generated from a family business (farming, ranching, etc..) that have no relationship to school district business are not to be disclosed.

District response: Nothing to disclose.

4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2017:

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

District response: Nothing to disclose.

5. Business Transactions between School District and Board Members for Fiscal Year 2017:

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

District response: Nothing to disclose.

6. Other Information

Any other information the board of trustees of the school district determines useful.

District response: Nothing to disclose.

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CIVIL RIGHTS DISCLOSURE

The Canutillo Independent School District does not discriminate on the basis of race, color, national origin, gender, age or disability in its employment practices, or in providing education services, activities and programs, including technical education programs. For more information regarding the Canutillo Independent School District policy of non-discrimination contact: Executive Director for Human Resources, [\(915\) 877-7423, 7965 Artcraft Rd., El Paso, TX 79932.](tel:(915)877-7423)

El Distrito Escolar Independiente de Canutillo no discrimina en cuanto a raza, color, origen, género, edad o discapacidad en lo que se refiere a sus prácticas de empleo, o al proveer servicios, actividades y programas educativos y vocacionales. Para mayor información respecto a la política de no discriminación del Distrito Escolar Independiente de Canutillo, favor de contactar a: Director Ejecutivo de Recursos Humanos, [\(915\) 877-7423, 7965 Artcraft Rd., El Paso, TX 79932.](tel:(915)877-7423)



Glossary

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

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

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

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

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

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

Assigned Fund Balance: The assigned fund balance represents tentative plans for the future

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

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

Beginning Fund Balance: The General Fund balance on the first day of a new school year. For most school districts this is equivalent to the fund balance at the end of the previous school year.

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

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

Capital Outlay: This term is used as both a Function and an Object. Expenditures for land, buildings, and equipment are covered under Object 6600. The amount spent on acquisitions,



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construction, or major renovation of school district facilities are reported under Function 80.

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

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

Chapter 41: A key "equity" chapter in the Texas Education Code (TEC) is Chapter 41. This chapter is devoted to wealth equalization through the mechanism of recapture, the recovery of financial resources from districts defined by the state as high property wealth. Resources are recovered for the purpose of sharing them with low-wealth districts. Districts that are subject to the provisions of Chapter 41 must make a choice among several options in order to reduce their property wealth and share financial resources.

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).

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.

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



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Program, and School Health and Related Services Program. This amount is recorded as Revenue Object 5900.

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

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

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

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

- Instruction and Instructional-Related Services
- Instructional and School Leadership
- Support Services - Student
- Administrative Support Services
- Support Services: Non-Student Based
- Ancillary Services
- Debt Service
- Capital Outlay
- 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.

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.



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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).

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.

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 object groupings it belongs:

- 1000 Assets
- 2000 Liabilities
- 3000 Fund Balances
- 5000 Revenue
- 6000 Expenditures/Expenses

- 7000 Other Resources/NonOperating Revenue/Residual Equity Transfers In
- 8000 Other Uses/NonOperating Revenue/Residual Equity Transfers Out

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

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

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

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

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

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

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



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revenues received or residual equity transfers in. This amount is recorded under Object 7020.

Payments for Shared Services

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

Payroll: Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school 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 state-wide data management system for public education information in the State of Texas. One of the basic goals of PEIMS, as adopted by the State Board of Education in 1986, is to improve education practices of local school districts. PEIMS is a major improvement over previous information sources gathered from aggregated data available on paper reports. School districts submit their data via standardized computer files. These are defined in a yearly publication, the PEIMS Data Standards.

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

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

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

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

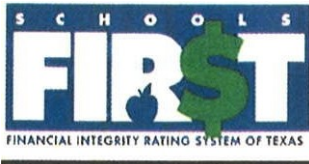
Refined ADA: Refined Average Daily Attendance (also called RADA) is based on the number of days of instruction in the school year. The aggregate eligible days attendance is divided by the number of days of instruction to compute the refined average daily attendance.

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



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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 the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

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

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.

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

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.

DISCLAIMER

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