

Lackland ISD

Financial Management Report

2017-2018

(Based on Fiscal Year 2016-2017 Data)



Lackland ISD's
2017-2018 Schools FIRST rating is "A – Superior Achievement"
with a score of 100!

Introduction

The purpose of the financial accountability rating system is to ensure that school districts 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 impact 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. (Texas Administrative Code, Chapter 109)

Background Information:

This rating system was passed and signed into state law in 2001. The first ratings were reported by the Texas Education Agency (TEA) for the 2002-2003 fiscal year. The rating system and indicators have changed over the years.

The most recent changes to the School FIRST system implemented by the Texas Education Agency in August 2018 are being phased-in over three years. During the phase-in period, the new School FIRST system has separate worksheets for rating years 2017-2018, 2018-2019, and 2019-2020 as compared to subsequent years. The most substantive changes in August 2018 will be implemented by the Texas Education Agency beginning with ratings year 2020-2021 based primarily on data from fiscal year 2020.

The worksheet for rating year 2014-2015 contained only 7 indicators and the worksheets for rating years 2015-2016 and 2016-2017 contain 15 indicators. The 15 indicators are listed below:

- #1 Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?
- #2 Review of Annual Financial Report for an unmodified opinion and material weaknesses.
- #3 Was the school district in compliance with the payment terms of all debt agreements at the fiscal year end?
- #4 Did the school district make timely payments to the TRS, TWC, IRS and other government agencies?
- #5 Was the total unrestricted net asset balance in the government activities column of the Statement of Net Assets [Annual Financial Report] greater than zero?
- #6 Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?
- #7 Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?
- #8 Was the ratio of long-liabilities to total assets for the school district sufficient to support long-term solvency?
- #9 Did the school district' general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)?
- #10 Was the debt service coverage ratio sufficient to meet the required debt service?
- #11 Was the school district's administrative cost ratio equal to or less than the threshold ratio?
- #12 Did the school district not have a 15 percent (15%) decline in the students to staff ratio over 3 years (total enrollment to total staff)?
- #13 Did the comparison of Public Education 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?
- #14 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?

#15 Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds as a result of a financial hardship?

During the School FIRST rating (2014-2015), there were only seven (7) indicators as noted below:

- #1 Was the Annual Financial Report (AFR) submitted to TEA by the January 28th deadline?
- #2 Was there an unmodified opinion in the AFR on the financial statements as a whole?
- #3 Was the school district in compliance with the payment of all debt at the end of the fiscal year? [Note: Lackland ISD does not have any debt]
- #4 Was the total unrestricted net assets balance greater than zero?
- #5 Was the school district's administrative cost ratio equal to or less than the threshold?
- #6 Did the comparison of PEIMS data to the AFR result in a variance of less than 3%?
- #7 Did the external independent auditor report that the AFR was free of any instances of material weaknesses in internal controls over financial reporting and compliance?

The current rating categories and scoring are noted below:

4 Ratings

A – Superior Achievement (90-100 points)

B – Above Standard (80-89 points)

C – Meets Standard (60-79 points)

F – Substandard Achievement (less than 60 points)

Financial Management Report

Every school district is required to prepare a Financial Management Report, present the report at a public hearing, and distribute the report to the district's parents present at the meeting. The Financial Management Report must include the:

- Schools Financial Integrity Rating System of Texas (FIRST)
- Disclosures
 - Copy of the Superintendent's current Employment Contract
 - Summary schedule of all reimbursements received by the Superintendent and each Board Member for the 2016-2017 fiscal year. This summary should include all travel expenses by category, such as lodging, meals, registration, etc.
 - Summary schedule of the dollar amount of compensation and/or fees received by the Superintendent from another district or any other outside entity for professional consulting and/or personal services during the 2016-2017 fiscal year.
 - Summary schedule of the total dollar amount of gifts [with an economic value of \$250 or more in the aggregate] received by the Superintendent and each Board Member during the 2016-2017 fiscal year. This requirement also includes the immediate family of the Superintendent and each Board Member.
 - Summary schedule of the dollar amount by Board Member for the aggregate amount of business transactions with the school district.

Review of Indicators

Critical Indicators

Indicators #1, #2A, #3, #4 and #5 are critical indicators on the current rating system. A rating of F - Substandard Achievement is assigned if the district failed to achieve one or more of these critical indicators.

The solvency of a district is critical to its financial strength; hence unrestricted net assets that are greater than \$0 is perhaps the most critical indicator. Chart #1 below illustrates the total unrestricted net assets for the past five fiscal years. In addition, the district has maintained a healthy fund balance over the past fiscal years as illustrated by Chart 2. [Indicator #5]

Chart #1: Total Unrestricted Net Assets

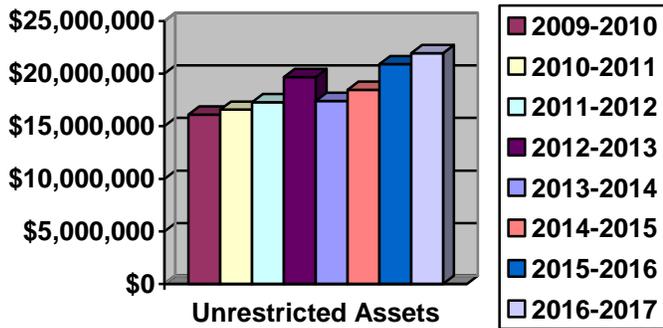
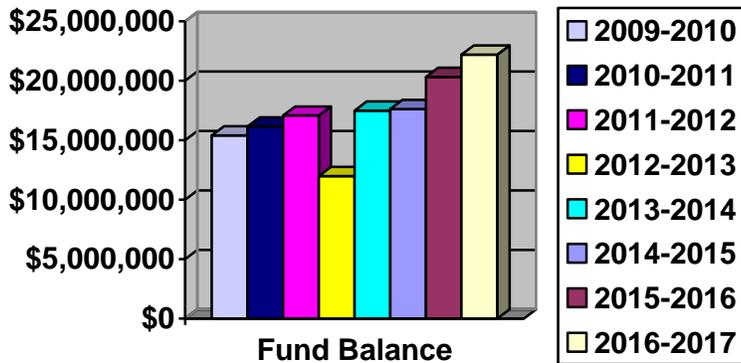


Chart #2: Fund Balance at End of Fiscal Year (General Fund Only)



A substantial fund balance is critical for Lackland ISD due to the usual delay in receiving Federal Impact Aid funds. Federal Impact Aid funds, which are received in lieu of property taxes, are a major source

of operating funds for the district. The fund balance consists of committed and assigned [Construction and Technology] funds balances.

The Annual Financial Report is a valuable indicator of sound financial management. The district met the requirements related to the Annual Financial Report such as receiving an unmodified opinion and filing the report by the Texas Education Agency’s deadline. [Indicators #1and #2A].

The District complied with payment deadlines such as Teacher Retirement System (TRS), Texas Workforce Commission (unemployment) and the Internal Revenue Service (IRS). [Indicator #4]

Other Indicators

Indicator	Description	Value
#6	Number of days of cash and current investments in the general fund	542 days
#7	Measure of current assets to current liabilities	Assets are 19.74 times more than liabilities
#8	Ratio of long-term liabilities to total assets sufficient to support long term solvency.	Ratio is .07
#9	Did general fund revenues equal or exceed expenditures?	Revenues exceeded expenditures by \$1.9 million
#10	Debt Service coverage ratio to meet debt requirements	N/A, no debt
#11	District’s Administrative Cost ratio	9.76% (maximum allowable is 13.11%)
#12	Did the district not have a 15% decline in the student:staff ratio over 3 years?	No
#13	Did the comparison of PEIMS data to the AFR result in a variance of less than 3% of all expenditures by function?	\$14,421,292 total expenditures, net variance \$46.00
#14	Did the external auditor indicate the AFR was free of any material non-compliance for grants, contracts or laws?	None noted in AFR
#15	Did the district not receive an adjusted repayment schedule for more than 1 fiscal year for an over-allocation of FSP funds as a result of financial hardship?	No adjusted schedule

Summary

Lackland ISD received a score of 100 out of a possible score of 100 in 2017-2018. The passing score is 60 points. Our rating for the 2017-2018 fiscal year is **A – Superior Achievement**. The District has achieved a Superior Achievement rating for the past 16 years!

The Schools FIRST rating is a district-wide financial report card. The Board of Trustees and staff have contributed to the financial success of the district by:

- Developing and adopting budgets that focus on student instruction and achievement
- Ensuring fiscal accountability through purchasing, staffing, cash management, and PEIMS data integrity



LACKLAND
Independent School District

**Lackland Independent School District
Financial Integrity Rating System of Texas
Based on Data from Fiscal Year Ended August 31, 2017**

#	Criteria Description	2017-2018		2016-2017	
		Yes/No	Score	Yes/No	Score
1	within 30 days of the November 27 or January 28 deadline depending upon the district's fiscal year end date of June 30 or August 31, respectively?	Yes	N/A	Yes	N/A
2.A	Was there an unmodified opinion in the AFR on the financial statements as a whole?	Yes	N/A	Yes	N/A
2.B	Did the external independent auditor report that the AFR was free of any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes	N/A	Yes	N/A
3	Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?	Yes	N/A	Yes	N/A
4	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes	N/A	N/A	N/A
5	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?	Yes	N/A	Yes	N/A
6	Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?	Yes	10	Yes	10
7	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	Yes	10	Yes	10
8	Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?	Yes	10	Yes	10
9	Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?	Yes	10	Yes	10
10	Was the debt service coverage ratio sufficient to meet the required debt service?	Yes	10	Yes	10
11	Was the administrative cost ratio equal to or less than the threshold ratio?	Yes	10	Yes	10
12	Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)?	Yes	10	Yes	10
13	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the AFR result in a total variance of less than 3 percent of all expenditures by function?	Yes	10	Yes	10
14	Did the external independent auditor report that the AFR was free of any instances of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes	10	Yes	10
15	Did the school district not receive an adjusted payment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes	10	Yes	10
	TOTAL SCORE Total Possible = 100)		100		100



DISCLOSURES

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



DISCLOSURES

1. Superintendent's Employment Contract

The school district is to provide a copy of the superintendent's employment contract that is effective on the date of the School FIRST hearing in fiscal year 2018-2019. 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 district's Internet site. **If published on the Internet**, the contract is to remain accessible for twelve months.

The current Superintendent's Contract is attached to this report.



DISCLOSURES

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

For the Twelve-month Period Ended August 31, 2017								
Description of Reimbursements	Superintendent	Board Member Miller	Board Member Munro	Board Member Dietert	Board Member Garcia	Board Member Odom		
Meals	\$971.85	\$376.00	\$303.98	\$529.54	\$463.00	\$463.00	\$	\$
Lodging	6,669.72	1,763.73	2,485.09	2,150.47	1,763.73	1,184.98		
Transportation	4,415.38	718.47	1,220.45	1,118.98	742.47	1,139.99		
Motor Fuel								
Other (Registrations)	9,287.64	1,415.00	1,415.00	1,740.00	1,415.00	1,415.00		
Total	\$21,344.59	\$4,273.20	\$5,424.52	\$5,538.99	\$4,384.20	\$4,202.97	\$	\$

Note – 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 off of the school district’s premises, 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 (or on-behalf of) to the superintendent and board member not defined above.



DISCLOSURES

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

For the Twelve-Month Period Ended August 31, 2017	
Name(s) of Entity(ies)	
None	\$0
Total	\$

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



DISCLOSURES

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

For the Twelve-Month Period Ended August 31, 2017								
	Superintendent	Board Member Miller	Board Member Munro	Board Member Dietert	Board Member Garcia	Board Member Odom		
Summary Amounts	\$0	\$0	\$0	\$0	\$0	\$0		

Note – 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.



DISCLOSURES

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

For the Twelve-Month Period Ended August 31, 2017	Board Member Miller	Board Member Munro	Board Member Dietert	Board Member Garcia	Board Member Odom		
Summary Amounts	\$0	\$0	\$0	\$0	\$0		

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



DISCLOSURES

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

None

Employment Contract

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

THIS AGREEMENT is made and entered into by the between the Board of Trustees (the "Board") of the Lackland Independent School District (the "District") and Dr. Burnie L. Roper (the "Superintendent").

The Board and the Superintendent, for and in consideration of the mutual covenants set out below, have agreed, and do hereby agree, as follows:

1. **TERM.**

1.1 Employment. The Board agrees to employ the Superintendent on a twelve-month basis per school year, for approximately five (5) years, beginning January 23, 2018, and ending January 22, 2023. The Board and the Superintendent (the "Parties") may extend the term of this Contract by agreement.

1.2 No Right of Tenure. The Board has not adopted by policy, rules, regulations, law or practice providing for tenure. No right of tenure, contractual obligation, expectancy of continued employment, or claim of entitlement is created beyond the contract term.

2. **CERTIFICATION**

2.1 Certification. The Superintendent agrees to maintain the required certification throughout the term of employment with the District. If the Superintendent's certification expires, is canceled, or is revoked, this Contract is void.

3. **REPRESENTATIONS.**

3.1 Beginning of Contract. The Superintendent represents that he has disclosed to the Board, in writing, any arrest and any indictment, conviction, no contest or guilty plea, or other adjudication of the Superintendent. The Superintendent understands that a criminal history record acceptable to the Board, at its sole discretion, is a condition precedent to this Contract.

3.2 During Contract. The Superintendent also agrees that, during the term of this Contract, the Superintendent will notify the Board, in writing, of any arrest or of any indictment, conviction, no contest or guilty plea, or other adjudication of the Superintendent. The Superintendent agrees to provide such notification in writing within seven calendar days of the event or any shorter period specified in Board policy.

3.3 False Statements and Misrepresentations. The Superintendent represents that any records or information provided in connection with his employment application are true and correct. Any false statements, misrepresentations, omissions of requested information, or fraud by the Superintendent in or concerning any required records or in the employment application may be grounds for termination or nonrenewal, as applicable.

4. **EMPLOYMENT.**

4.1 Duties. The Superintendent shall perform such duties and have such powers as may be prescribed by the law and the Board. The Board shall have the right to assign additional duties to the Superintendent and to make changes in responsibilities or work at any time during the contract term. All duties assigned by the Board shall be appropriate to and consistent with the professional role and responsibility of the Superintendent.

4.2 Performance of Duties. Except as otherwise permitted by this Contract, the Superintendent agrees to devote his full time and energy to the performance of his duties. The Superintendent shall perform his duties with reasonable care, skill, and diligence. The Superintendent shall comply with all Board directives, state and federal laws and rules, Board policy, and regulations as they exist or may hereafter be amended.

5. **COMPENSATION.**

5.1 Salary. The Superintendent shall be paid a salary of one hundred seventy four thousand, fourteen dollars and thirty eight cents (\$174,014.38) per year until the end of the contract period. At any time during the term of this Contract, the Board may, in its sole discretion, review and adjust the salary of the Superintendent, with any adjustments being in the form of either a written addendum to this Contract or a new contract. However, in no event shall the Superintendent be paid less than the salary as set forth above, except by mutual, written agreement of both the Superintendent and the District.

5.2 Performance Bonus. In addition to the Superintendent's base salary, a performance bonus may be considered and awarded on an annual basis. The performance bonus is not guaranteed and shall be subject to the availability of funds and meeting the performance bonus criteria, such as academic performance, longevity, or other criteria selected by the board at the board's discretion. Nothing in this contract shall be construed as granting any contract or other legal right or entitlement to any performance incentive payments.

5.3 Vacation and Holiday. The Superintendent will be entitled to all approved school holidays and ten vacation days [scheduled days off]. Holidays do not accumulate from one school year to the next or from one contract term to the next. Scheduled days off may accumulate up to the maximum set in Board policy. There are no entitlements to any payments for any unused vacation or holiday time.

5.4 Vehicle. The District will provide a District vehicle for the Superintendent's business and personal use and shall replace such vehicle every 3 years. The personal use of the vehicle shall be subject to federal taxes in accordance with the Internal Revenue Code.

5.5 Expenses. The District shall pay or reimburse the Superintendent for reasonable expenses directly incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Agreement. This District agrees to pay the actual and incidental costs incurred by the Superintendent for travel; such costs may include, but are not limited to mileage reimbursement for travel outside of the school district, hotels, and accommodations, meals, rental cars, and other expenses incurred in the performance of the business of the district. The Superintendent shall comply with all procedures and documentation requirements in accordance with Board policy and District Administrative Procedures.

5.6 Health Insurance. The District, at its expense, will provide the Superintendent the same medical and dental insurance coverage as is provided for other full-time employees of the District.

5.7 Life Insurance. The District will pay 100 percent of the cost for \$50,000.00 coverage for the Superintendent under the District's group life policy. The District shall also provide the same life insurance benefits as is provided for all full-time employees of the District. In addition, the District shall pay the premium to Texas Life for \$200,000 of coverage for the Superintendent during the contract period.

5.8 Sick & Personal Leave. The Superintendent will be entitled to twelve (12) days of leave for personal or family illness. Unused leave may be accumulated for use in future years in accordance with Board policy.

5.9 Cellular Phone. The District shall pay the Superintendent a monthly cellular phone allowance in the amount of \$100.00.

5.10 Professional Organization Membership Fees. The District shall pay membership fees for professional organizations on behalf of the Superintendent for which the Superintendent deems necessary in order to stay current on educational issues and that serves the best interest of the district. In addition, the District shall pay the membership dues for civic or service organizations such as the San Antonio Chamber of Commerce as requested by the Superintendent.

5.11 Retirement Benefit. The District shall contribute to one or more retirement plans established under Internal Revenue Code Sections 401(a), 403(b), and/or 457 ("Plan[s]"), formed by the Superintendent for the benefit of the Superintendent, of seven thousand two hundred dollars (\$7,200) during each full calendar year that this Contract is in effect.

5.12 TRS Contribution. The District will pay to the Texas Teacher Retirement System (TRS) on behalf of the Superintendent, the full amount of the employee TRS contribution on the Superintendent's qualifying monthly salary.

5.13 Disability Insurance. The District shall provide the maximum disability income protection for the Superintendent allowed by any disability insurance policy made available now or in the future to LISD employees. The disability coverage shall not exceed 66.67 percent of the Superintendent's salary.

4. REVIEW OF PERFORMANCE.

4.1 Time and Basis of Evaluation. The Board shall evaluate and assess in writing the performance of the Superintendent at least once each year during the term of this Agreement.

4.2 Evaluation Format and Procedure. The evaluation format and procedure shall be in accordance with the Board's policies, state and federal law.

5. RENEWAL/NONRENEWAL

5.1. Renewal/Nonrenewal. Renewal or nonrenewal shall be in accordance with Board policy, Texas Education Code Chapter 21, and applicable law.

6. TERMINATION OF EMPLOYMENT CONTRACT.

6.1 Mutual Agreement. This Agreement may be terminated by the mutual agreement of the Superintendent and then Board in writing, upon such terms and conditions as may be mutually agreed upon. After the Superintendent has returned the signed contract, the Superintendent will not be released from this Agreement without the written consent of the Board.

6.2 Death, Retirement. This Agreement shall be terminated upon the death of the Superintendent or upon the Superintendent's retirement under the Teacher Retirement System of Texas.

6.3 Dismissal for Good Cause. This Board may dismiss the Superintendent at any time for good cause.

6.4 Termination Procedure. Termination of this Contract will be pursuant to Board policy, Texas Education Code Chapter 21, and other applicable law. The Superintendent shall be afforded all the rights set forth in the Board's policies and state and federal law.

7. GENERAL PROVISIONS.

7.1 Amendment. This Contract may not be amended except by written agreement of the Parties.

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

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

7.4 Applicable Law and Venue. Texas law shall govern construction of this Contract. The Parties agree that venue for any litigation relating to the Superintendent's employment with the District, including this Contract, shall be the county in which the District's administration building is located. If litigation is brought in federal court, the Parties agree that venue shall be the federal district and division in which the district's administration building is located.

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

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

8. NOTICES.

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

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

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

EXECUTED this 23 day of January 2018.

LACKLAND INDEPENDENT
SCHOOL DISTRICT

By: 
Mr. Brian Miller
President, Board of Trustees

ATTEST:

By: 

Dr. Laura Munro
Secretary, Board of Trustees



Dr. Burnie L. Roper
Superintendent of Schools

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, 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).

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

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

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

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

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

Effective Tax Rate: Provides the unit with approximately the same amount of revenue it had the year before on properties taxes in both years. A comparison of the effective tax rate to the taxing unit's proposed tax rate shows if there will be a tax increase.

Ending Fund Balance: The amount of unencumbered surplus fund balance reported by the 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 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.

Investments in Capital Assets, Net of Related Debt: One of three components of Net Position that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

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

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.

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

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

Object: An object is the highest level of accounting classification used to identify either the transaction posted or the source to which the associated monies are related. Each object is assigned a code that identifies in which of the following eight major 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 Position. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of operating activities for cash flows reporting in establishing their own definition.

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

- Revenues Realized as a Result of Services Rendered to Other 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 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.

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 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.

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

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

WADA: A Weighted Average Daily Attendance (WADA) is used to measure the extent students are participating in special programs. The concept of WADA in effect converts all of a school 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

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