



Wichita Falls Independent School District
Annual Financial Accountability
Management Report

For the Year Ending August 31, 2012

John Frossard Ed.D., Superintendent of Schools
Cindy Tatum, Chief Financial Officer
Presented on November 18, 2013

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NEWS RELEASE

November 18, 2013

FOR IMMEDIATE RELEASE

For further information,
contact: Renae Murphy
(940) 235-1004

Wichita Falls ISD Earns State's Highest Fiscal Accountability Rating

Wichita Falls Independent School District officials announced that the district received a rating of "Superior Achievement" under Texas' Schools FIRST financial accountability rating system. The Superior Achievement rating is the state's highest, demonstrating the quality of Wichita Falls ISD's financial management and reporting system. Since the accountability ratings inception in 2001, the district has earned the highest rating for ten years.

Schools FIRST (Financial Integrity Rating System of Texas) is a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 218 of the 77th Texas Legislature in 2001. The primary goal of Schools FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system. 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.



Wichita Falls Independent School District Annual Financial Accountability Management Report

Introduction

Senate Bill (SB) 218 of the 77th Legislature (2001) authorized the implementation of a financial accountability rating system, which is officially referred to as Schools FIRST. The school district's Schools FIRST rating is based upon an analysis of staff and student data reported for the 2011-2012 school year, and budgetary and actual financial data for the 2012 fiscal year ending August 31, 2012.

The worksheet consists of 20 weighted indicators. A "No" response to indicators 1, 2, 3 or 4 or to both 5 and 6 together automatically result in a rating of "Substandard Achievement", so these first six criteria are of utmost importance. The remaining indicators are weighted with five (5) being the highest point earned per indicator.

Currently, Wichita Falls ISD earned a rating of "***Superior Achievement***", scoring 65 points. This rating was based on the 2011-2012 financials.

The worksheet itself and a discussion of the individual indicators follow. Included in the back of the report is information to assist the reader in understanding the individual indicators and a glossary of terms used within this report.

Please contact Cindy Tatum at 235-1015 if you have any questions or comments.

User: Cindy Tatum

User Role: District

FIRST RATING FOR FISCAL YEAR

2011-2012

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Financial Integrity Rating System of Texas

2011-2012 DISTRICT STATUS DETAIL

Name: WICHITA FALLS ISD(243905)	Publication Level 1: 6/21/2013 3:05:18 PM
Status: Passed	Publication Level 2: 9/12/2013 6:29:59 PM
Rating: Superior Achievement	Last Updated: 9/12/2013 6:29:59 PM
District Score: 65	Passing Score: 52

#	Indicator Description	Updated	Score
1	<u>Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?</u>	4/26/2013 6:14:08 PM	Yes
2	<u>Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)</u>	4/26/2013 6:14:09 PM	Yes
3	<u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u>	4/26/2013 6:14:09 PM	Yes
4	<u>Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?</u>	4/26/2013 6:14:09 PM	Yes
5	<u>Was There An Unqualified Opinion in Annual Financial Report?</u>	4/26/2013 6:14:09 PM	Yes

6	<u>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</u>	4/26/2013 6:14:10 PM	No
			1 Multiplier Sum
7	<u>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</u>	4/26/2013 6:14:10 PM	5
8	<u>Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?</u>	4/26/2013 6:14:11 PM	5
9	<u>Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)</u>	4/26/2013 6:14:11 PM	5
10	<u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u>	4/26/2013 6:14:11 PM	0
11	<u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</u>	4/26/2013 6:14:11 PM	5
12	<u>Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?</u>	4/26/2013 6:14:12 PM	5
13	<u>If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)</u>	4/26/2013 6:14:12 PM	5
14	<u>Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivable) In The General Fund Greater Than Or Equal To 1:1? (If Deferred Revenues Are Less Than</u>	4/26/2013 6:14:13 PM	5

	<u>Net Delinquent Taxes Receivable)</u>		
15	<u>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</u>	4/26/2013 6:14:13 PM	5
16	<u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u>	4/26/2013 6:14:13 PM	5
17	<u>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</u>	4/26/2013 6:14:14 PM	5
18	<u>Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If Total Revenues > Operating Expenditures In The General Fund,Then District Receives 5 Points)</u>	4/26/2013 6:14:14 PM	5
19	<u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u>	4/26/2013 6:14:14 PM	5
20	<u>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?</u>	4/26/2013 6:14:15 PM	5
			65 Weighted Sum
			1 Multiplier Sum
			65 Score

DETERMINATION OF RATING

A.	Did The District Answer ' No ' To Indicators 1, 2, 3 Or 4? OR Did The District Answer ' No ' To Both 5 and 6? If So, The District's Rating Is Substandard Achievement.
B.	Determine Rating By Applicable Range For summation of the indicator scores (Indicators 7-20)
	Superior Achievement 64-70

Above Standard Achievement	58-63
Standard Achievement	52-57
Substandard Achievement	<52

INDICATOR 16 & 17 RATIOS

Indicator 16	Ranges for Ratios		Indicator 17	Ranges for Ratios	
	Low	High		Low	High
District Size - Number of Students Between			District Size - Number of Students Between		
< 500	7	22	< 500	5	14
500-999	10	22	500-999	5.8	14
1000-4999	11.5	22	1000-4999	6.3	14
5000-9999	13	22	5000-9999	6.8	14
=> 10000	13.5	22	=> 10000	7.0	14

Audit Home Page: School Financial Audits | Send comments or suggestions to <mailto:schoolaudits@tea.state.tx.us?subject=FIRST%20Suggestions>

THE TEXAS EDUCATION AGENCY
 1701 NORTH CONGRESS AVENUE · AUSTIN, TEXAS, 78701 · (512) 463-9734

User: Cindy Tatum

User Role: District

FIRST RATING FOR FISCAL YEAR

2011-2012

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Financial Integrity Rating System of Texas

OVERALL STATISTICS

2011-2012 STATUS COUNTS

Status	Count	% Total	Enrollment	% Total Enrollment
Passed	1,015	98.64 %	4,806,432	99.64 %
Failed	14	1.36 %	17,410	0.36 %
Total	1,029	100.00 %	4,823,842	100.00 %

2011-2012 RATING COUNTS

Ratings	Count	% Total	Enrollment	% Total Enrollment
Superior Achievement	909	88.34 %	4,627,929	95.94 %
Above Standard Achievement	87	8.45 %	163,708	3.39 %
Standard Achievement	19	1.85 %	14,795	0.31 %
Substandard Achievement	14	1.36 %	17,410	0.36 %
Total	1,029	100.00 %	4,823,842	100.00 %

Overview of the Worksheet

Key Indicators

Indicators #1 through #6 are key indicators. Any “NO” response in these categories is a signal to the District of a potential internal material weakness. Indicator #1 and #2 determine if the District has available fund balance. The remaining four indicators revolve around the audit report, fund balance and the auditor’s findings. If the General Fund Balance is greater than zero and the auditors issue a “clean” opinion, a District will pass these key indicators. Wichita Falls ISD had a General Fund Balance of \$14.1 million however, the auditor’s report contained a disclosure for a material weakness. Therefore, the District only meet Indicators #1-5.

Fiscal Responsibility

Indicators #7 through #9 concern fiscal responsibility. Regarding Indicator #7, Wichita Falls ISD’s three year average percentage of tax collections exceeded the minimum standard of 98%. For the three year period under review, taxes were collected at a rate of 99.54%. On Indicator #8, PEIMS Financial Data Quality, we had a 0% error rate. For debt expenditure per student, Indicator #9, the state standard is < \$350.00 per student. The District’s debt-related expenditure per student for 2011-2012 was \$460.05, but qualified since the District was not subject to rapid growth. Indicator #10 addresses any material noncompliance issues reflected in the audit. WFISD had no material noncompliance findings. The District had full accreditation status in relation to financial management practices, therefore, passed indicator #11.

Budgeting

Items #12 through #14 concern budgeting, management and cash flow practices. The District adequately funded its budget and capital projects. Indicator #14 shows the District does not spend cash it does not have or has not yet recognized as revenue.

Administrative Costs

Item #15 compares the District’s administrative cost ratio to the standard for comparable districts. This year, the District’s administrative cost ratio of 7% continued to be well below that of the State standard of 11.05%, and was 1.35% less than last year. This item is addressed in more detail later in the report.

Personnel

Items #16 and #17 deal with staffing patterns, specifically students to classroom teachers and students to total staff. A district must fall into a certain range to meet these criteria, which means understaffing or overstaffing can trigger a “NO” response. For a district our size, the minimum state standard for students to classroom teachers is 13.5. This year the District met this standard at 14.19 due to more efficient staffing. The District fell within the prescribed ranges for students per staff member at 7.79. The minimum state standard is 7.0.

Cash Management

The final three indicators deal with management of the balance sheet. Item #18 deals with any decrease in General Fund Balance outside the prescribed acceptable range. Wichita Falls ISD fund balance was within the recommended range. Cash and Investments were greater than \$0, so Indicator #19 was met. Investment earnings in all funds excluding Debt Service Fund and Capital Projects Fund were \$39,325 which met the criteria for Item #20.

Summary

The Wichita Falls ISD School Board, administrators and campus staff have worked hard to maintain the financial position and condition of the District. We continue to meet the challenges of limited revenues, ever-increasing costs and unfunded mandates from the state.

Other Data Concerning the District's Operations

The purpose of this section of the report is to discuss other aspects of our business operations not covered by the worksheet, but suggested by law as items of significance meriting discussion. We should view the worksheet as a good basic tool with which to assess our primary business practices. However, we should not stop there! We should always be working towards improvement in all aspects of our operation to maximize funds available to campuses for educational purposes and to our ancillary departments that support our campuses.

Briefly, we review a number of business practices not covered by the Financial Accountability Worksheet directly.

Financial Strength

The State of Texas recommends we discuss financial strength in this report. This is a difficult topic to address because there are many measures of financial strength, some better than others. For Wichita Falls ISD, we believe the most significant financial indicator of strength is our ability to meet our cash flow needs each year without borrowing money, while maintaining adequate fund balance. We do not borrow funds to finance daily operations.

Financial Trend

An analysis of the Wichita Falls Independent School District General Fund for the four year period ending August 31, 2012, reveals the following trends since 2008:

- 1) The District's General Fund tax rate has remained constant at \$1.04 per \$100 of valuation for general operations since 2008. This is the maximum tax rate allowed by law. The Debt Service Fund tax rate has increased from \$0.149 in 2008 to \$0.165 for 2012
- 2) General Fund revenues decreased from \$99 million to \$96.1 million, an average of .73% per year.
- 3) General Fund expenditures increased from \$95.5 million to \$97 million, an average of .40% per year.
- 4) General Fund total fund balance increased from \$13.3 to \$14.1 million.

Since the district is subject to a statutory tax rate cap of \$1.04 for Maintenance and Operations, no significant additional local revenues can be generated. As the tax base increases, any gains in local property tax receipts are offset by corresponding formula-driven reductions in state aid. The State of Texas has been the ultimate beneficiary of all property value increases, not local school districts.

Fund Balance

Although WFISD passed all the financial indicators involving fund balance in the Financial Integrity Rating System of Texas, the District should continue to focus on maintaining its fund balance due to the financial uncertainties in the State of Texas budget situation. For example, five years ago, the State of Texas delayed the August payment to public schools until after September 1. Because of this delay,

WFISD used fund balance to make payroll and pay other operating costs. Currently the District could survive a one-month delay by using current fund balance, but it may not be sufficient for a two month delay.

Thus the District must make a priority of maintaining its current fund balance to meet the financial uncertainties of the future. The following table shows fund balances, excluding Capital Projects and Internal Service Fund Balances.

Fund Balances by Year

	General Fund Unassigned	General Fund Nonspendable/ Restricted/Committed	Other Funds
2002-03	10,314,575	930,138	1,827,786
2003-04	10,076,500	1,542,173	2,125,507
2004-05	8,926,124	1,468,578	2,880,628
2005-06	10,864,079	1,577,591	2,528,482
2006-07	12,251,557	1,634,266	2,078,513
2007-08	11,455,822	1,917,167	1,196,445
2008-09	11,908,135	2,017,768	1,910,552
2009-10	11,619,188	1,940,064	1,597,061
2010-11	11,941,901	2,647,491	2,006,894
2011-12	11,395,228	2,758,655	2,839,795

Operating Cost Management

Only a small portion of our total General Fund expenditures is flexible or variable in nature. Salaries and benefits comprise the majority of the District’s expenditures each year. Utility payments and contracted custodial and transportation costs increase each year. Once those large expenditures are removed from the equation, only a small portion of our budget is subject to traditional cost containment methods. Supplies, materials, travel, training and contracted services comprise the remaining balance. We consider these costs to be our controllable operating costs. The chart below demonstrates how our operating costs (total expenditures excluding capital expenditures) per student have changed over time.

Operating Costs Comparison

<u>Year</u>	Operating Costs Per Student	\$\$\$ Change From Previous Year	% Change From Previous <u>Year</u>
2002-03	6,323	159	2.57
2003-04	7,157	834	13.19
2004-05	7,411	254	3.55
2005-06	7,692	281	3.79
2006-07	7,448	(244)	(3.28)
2007-08	7,480	32	0.43
2008-09	6,509	(971)	(12.98)
2009-10	6,723	214	3.29
2010-11	6,734	(11)	(.16)
2011-12	6,556	(178)	(2.64)

One 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 administrative cost limitation. The District's maximum allowable administrative cost ratio is 11.05%. The District's actual administrative cost ratio was 7%, far below the state's allowable limit.

Administrative Cost Comparison

<u>Year</u>	<u>State Limit</u>	<u>District Actual</u>	<u>\$ Under Limit</u>
2002-03	11.05	7.85	1,677,856
2003-04	11.05	7.85	1,777,901
2004-05	11.05	7.42	1,812,949
2005-06	11.05	7.59	1,897,681
2006-07	11.05	8.35	1,496,049
2007-08	11.05	6.75	2,510,267
2008-09	11.05	7.87	1,835,941
2009-10	11.05	8.0	1,742,328
2010-11	11.05	8.35	1,480,728
2011-12	11.05	7.00	2,408,904

The focus of the District has been and continues to be to prioritizing every possible dollar to the campuses to serve the needs of the students first.

Personnel Management

The District's longstanding goal is to attract and retain qualified teachers and staff. Second to our students' welfare and education, attracting and retaining a quality teaching staff has been a priority at the District. The District continues to focus on students to staff and students to teacher ratio trends. Fluctuations can be attributable to changes in grant funding, exempt versus non-exempt staffing, and changes in contracted staffing. (Graphs of this are presented in Exhibit "A".)

The table below summarizes changes in student to teacher ratio and student to staff ratio.

<u>Year</u>	<u>Enrollment</u>	<u>Pupil/Teacher and Pupil/Staff Ratio</u>			
		<u>Teachers</u>	<u>Pupil/Teacher Ratio</u>	<u>Staff</u>	<u>Pupil/Staff Ratio</u>
2002-03	14,951	1,114.1	13.420	2,025.2	7.382
2003-04	15,035	1,112.9	13.509	2,058.2	7.305
2004-05	14,872	1,102.5	13.489	2,074.5	7.169
2005-06	14,986	1,081.8	13.853	2,026.1	7.396
2006-07	14,675	1,072.1	13.688	1,982.8	7.401
2007-08	14,533	1,073.4	13.539	1,997.1	7.277
2008-09	14,480	1,081.5	13.389	1,957.6	7.397
2009-10	14,525	1,097.8	13.231	1,961.8	7.404
2010-11	14,569	1,085.3	13.424	1,965.0	7.414
2011-12	14,497	1,021.5	14.191	1,864.0	7.777

Debt Management

The District has two issues of general obligation bonds from a 1993 bond election, which were issued in March 1994. In November 1998, a portion of the series 1994 bonds was refinanced. In April 2004, the

District refinanced a portion of the Unlimited Tax School Building & Refunding Bonds, Series 1994 to a range of lower interest rates from 1.5% to 3.8%. In 2009, the District refinanced a portion of the Unlimited Tax Refunding Bonds, Series 1998, at 2.32%. The final payment on this Series 2009 occurred in fiscal year 2011-2012. In April 2011, the District refinanced all outstanding Maintenance Tax Notes in the sum of \$2,515,000 to a range of lower interest rates from 1.90% to 2.75%.

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.

The Interest and Sinking Fund Tax Rate of 16.5 cents per \$100 valuation is used to fund the payments on the following debt.

	<u>Interest Rate</u>		<u>Outstanding Balance 8-31-12</u>
Unlimited Tax Refunding Bonds Series 1998	3.35% to 5.00%		\$5,859,000
Unlimited Tax Refunding Bonds Series 2004	1.5% to 3.8%		\$215,000
Unlimited Tax School Buildings Bonds, Series 2007	4.0% to 5.0%	School Construction	\$50,420,000
Unlimited Tax Refunding Bonds, Series 2009	2.32%		\$0

All other General Fund debt is funded by the Maintenance and Operations tax rate. The other debt as of August 31, 2012 includes:

Maintenance Tax Refunding Bonds Series 2011	1.90% to 2.75%		\$2,515,000
Notes Payable	4.25%	Buses	\$225,985
Capital Leases	2.09% to 3.63%	Buses, Copy Machines, HVAC, Lighting, Retrofit	\$898,598

Facilities

Facilities continue to be a major challenge for the District. Among our challenges are the following:

- 1) The number of facilities to operate effectively. The District now has 29 campuses with approximately 14,500 students. The additional costs to the District in support staff, administrators, maintenance and technology staff necessary to support our smaller campuses require resources that could go into the classroom.
- 2) The age of the facilities contributes to cost inefficiency due to higher utility costs and maintenance costs. The average age of the District's campuses is 57 years, with 25 facilities over 40 years of age, and 8 are over 80 years of age.

The District is constantly reviewing its options to obtain adequate funding to be used to address its facilities needs.

Cash Management

The Financial Integrity Rating System of Texas Worksheet contains three criteria specifically targeting cash management procedures. Item #14 addresses the ratio of cash and investments to deferred revenues. Deferred revenues will be recognized as revenue in a future period. 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 expenditures and revenues impacts our cash management and fund balance. These criteria are measured by other items, but the interrelationships are also reflected in Item #19 of the worksheet dealing with cash management. Item #20 is a measure of the effectiveness of cash management policies and performance in putting to work the cash that the district has generated. Investment earnings met the criteria for indicator #20.

Management of cash begins with developing a cash requirements forecast, balancing the need for cash to pay obligations and the timing of the revenue stream. When cash revenues coming into the District are insufficient to meet expenditure needs, maturities of investments are timed to fill in the gaps. Based on historical patterns and seasonal data unique to the District, a projection of how much cash will be needed and approximately when it will be needed is constructed. The timing of major projects 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. We verify the calculations (adjusting if necessary) and match this revenue stream to the timing of expenditure obligations. The monthly volume of tax revenues varies seasonally, but historical data is combined with the variation in the tax levy from one year to the next. This projected revenue stream is also matched to the expected expenditures.

The timing of investment maturities is governed by the cash requirements forecast, but the type of investments purchased by the district is guided by the investment policy found in CDA Legal and CDA Local. In order of importance, the objectives of cash management include: safety, suitability to meet cash requirements, liquidity, marketability, diversity and yield. Authorized types of investments are described in the policy, and the district chooses which investment type to purchase so that the best rate may be obtained for the particular point in time that the maturity date will match with cash requirements. The District typically purchases government agency issues, Certificates of Deposit with the depository bank, and invests funds with Texpool to provide portfolio diversification and sufficient liquidity.

The efficient management of budgets and fund balance has provided an adequate cash flow so that at no time has the district been short of cash when needed. Our cash and investments on hand at the end of each fiscal year are shown below, excluding capital projects funds.

<u>For Year Ended</u>	<u>Cash & Investments</u>
2003	15,778,064
2004	11,915,565
2005	12,295,207
2006	15,872,352
2007	15,866,342
2008	14,863,455
2009	21,958,301
2010	14,854,918
2011	11,702,344
2012	18,868,702

Tax Collections

Indicator #7 discusses tax collections for a three year period. The minimum criterion is 98%, which our District has exceeded.

<u>For Year Ended</u>	<u>Total Tax Collections</u>
2003	98.84
2004	97.94
2005	99.39
2006	99.26
2007	100.00
2008	99.55
2009	99.52
2010	99.47
2011	99.46
2012	99.54

Budgetary Planning & Financial Allocations

The District's budget process begins soon after the current budget has been adopted. During the initial months of planning, allocations are developed, based on review of PEIMS data and input from staff of current allocations for each campus and department. Funds and staff FTE's are allocated to campuses based on a number of criteria, including number of students, special populations, and the campus's needs assessment. Support department allocations are based on previous year's budgets adjusted (up or down) for future years' needs. Special project requests for additional supplemental funds are considered individually each year. Once PEIMS is completed, preliminary state and local revenue calculations are made, and the Board and public receive a first draft of the developing budget. In odd-numbered years, the legislature is in session, which complicates and delays our budgeting process. 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 in August.

Campuses and departments are given a great deal of discretion in budgeting their funds. After the budget is adopted, each campus or department may amend their budget when their plans or needs change. This decentralized style of budget management is required by the State of Texas to a certain degree. We call it site-based decision making. Most importantly, it is a system that works best in the long run for all of us by allocating resources where they are needed, even when those needs change.

The table below summarizes General Fund budgeted versus final revenues and expenditures for the past 10 years.

Original vs Final Amended Budgeted Revenues

	<u>Original Budgeted Revenues</u>	<u>Final Amended Revenues</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
2002-03	85,813,372	87,214,073	1,400,701	1.63
2003-04	86,569,392	89,348,052	2,788,660	3.21
2004-05	89,187,196	89,434,783	247,587	0.28
2005-06	88,177,586	89,912,383	1,734,797	1.97
2006-07	93,566,201	93,379,407	(186,794)	(0.20)
2007-08	98,447,479	98,739,658	292,179	0.30
2008-09	96,849,738	98,350,590	1,500,852	1.55
2009-10	99,121,447	97,555,316	(1,566,131)	(1.58)
2010-11	95,652,662	96,825,426	1,172,764	1.23
2011-12	99,835,217	99,066,717	768,500	(0.77)

Original vs Final Amended Budgeted Expenditures

	<u>Original Budgeted Expenditures</u>	<u>Final Amended Expenditures</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
2002-03	85,359,897	86,431,740	1,071,843	1.26
2003-04	85,512,506	89,291,894	3,779,388	4.42
2004-05	88,450,452	91,176,129	2,725,677	3.08
2005-06	87,400,096	88,477,431	1,077,335	1.23
2006-07	92,673,836	92,535,799	(138,037)	(0.15)
2007-08	94,820,015	95,566,984	746,969	0.80
2008-09	94,794,744	97,044,722	2,249,978	2.37
2009-10	96,617,366	95,690,271	(927,095)	(0.96)
2010-11	93,386,099	94,347,986	961,887	1.03
2011-12	97,920,182	100,210,709	2,290,527	2.33

Certifications and Training

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

Chief Financial Officer

Cindy Tatum has been a Certified Public Accountant since 1993. She holds a Masters and Bachelor degree from University of North Texas. She was the business manager for Gainesville ISD for ten years. She was the Controller for a multi-million dollar Energy Service Company for two years before coming to WFISD in October 2012. She completes a minimum of 40 hours of continued professional education annually to maintain her CPA certificate.

Staff Accountants

Sheryl Dixon, Director of Finance, holds a Masters degree in Business Administration from Midwestern State University. For outstanding academic performance, she was selected for membership in Delta Mu Delta, National Honor Society in Business Administration. In July 2009, Sheryl received her Registered Texas School Business Administrator (RTSBA) certification from TASBO with specialties in accounting, payroll and personnel. She has been with WFISD since December 1991.

Araceli Mendez, CPA holds a Bachelors degree in Business Administration from Midwestern State University. She has been a Certified Public Accountant since 1996 and has been with WFISD since July 1997. She completes a minimum of 40 hours of continuing professional education annually to maintain her CPA certificate.

Denise Brown holds a Bachelors degree in Business Administration from Midwestern State University. She has been an Accounting Manager since 1995 and has been with WFISD since July 2008.

Conclusion

The administration believes that WFISD is in sound financial condition when measured by the State of Texas FIRST indicators and measured by the District's own analysis. The District has financial challenges in supporting its aging facilities and dealing with restrictive funding policies of the State of Texas. We believe the District is moving in the right direction both financially and academically.

This has been a team effort. Many thanks to teachers, campus administrators and staff, and central administrative staff who have made valuable input into the budgeting process and in many cases have made sacrifices to assist the District in achieving its current financial position.

**FIRST AMENDMENT TO
SUPERINTENDENT'S EMPLOYMENT CONTRACT**

Recitals

A. Reference is here made for all purposes to that one certain Superintendent's Employment Contract dated as of July 24, 2012 by and between the Board of Trustees (the "Board") of the Wichita Falls Independent School District (the "District") and John Frossard (the "Superintendent"), as amended by this First Amendment to Superintendent's Employment Contract effective as of July 1, 2013, (as amended, the "Contract"). Unless otherwise herein defined, initially capitalized terms used herein shall have the same respective meanings as set forth in the Contract.

B. The Board, acting for and on behalf of the District, and the Superintendent desire to amend the Contract as hereinafter set forth.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

That, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Board and the Superintendent agree:

1. **Term.** Section 1 of the Contract is hereby amended to extend the term of the Superintendent's employment by the District for a new 5 year period commencing on July 1, 2013 and ending on June 30, 2018.

2. **Salary.** Section 5.1 of the Contract is hereby amended to provide that effective as of July 1, 2013, the Superintendent's annual salary shall be ONE HUNDRED NINETY-EIGHT THOUSAND DOLLARS AND NO/CENTS (\$198,000.00).

3. **Leave.** Section 5.3 of the Contract is hereby amended and the Section contained therein is replaced by the following:

5.3. Leave. The Superintendent shall be entitled to the same number days of leave as authorized by Board policy for administrative employees on twelve-month contracts, and shall be entitled to the same holidays and breaks as provided to other twelve (12) month administrators in the Board's adopted calendar. Discretionary leave shall be taken at such time or times as will least interfere with the performance of the Superintendent's duties as set forth in this Contract.

4. **Health Insurance.** Section 5.4 of the Contract is hereby amended and the Section contained therein is replaced by the following:

5.4 Health Insurance. The District shall provide medical insurance to the Superintendent to the same extent it is provided to other employees and in accordance with the District's plan.

5. **Vacation.** The Contract shall be amended to add section 5.9 as follows:

5.9 Vacation. The Superintendent shall be entitled to fifteen (15) vacation days per year. These vacation days are in addition to leave available as described in Section 5.3 on this Contract. Vacation days shall be taken at such time or times as will least interfere with the performance of the Superintendent's duties as set forth in this Contract. Effective July 1, 2013, upon termination of the Superintendent's employment for any reason, whether voluntary or involuntary, accumulated vacation days (up to a maximum of 40 days) will be paid in a lump sum to the Superintendent or his survivors at the Superintendent's then current daily rate of pay with the daily rate being calculated on a 240 day work year.

6. **Retention Bonus.** The District desires to promote and encourage the Superintendent to remain an employee of the District on a long-term basis. Accordingly, the District shall fund an encumbered retention bonus account in the general fund. The Contract shall be amended to add Section 5.10 as follows:

5.10 Retention Bonus. On or before June 30, 2014, the District shall designate and set aside FIFTEEN THOUSAND DOLLARS AND NO/CENTS (\$15,000.00) for the benefit of the Superintendent. Provided the Superintendent is employed by the District at that time, on or before June 30th of each subsequent year of this Contract through (and including) June 30, 2018, the District shall designate and set aside an additional FIFTEEN THOUSAND DOLLARS AND NO/CENTS (\$15,000.00) for the Superintendent's benefit.

The Retention Bonus shall become the property of the Superintendent only if the Superintendent remains continuously employed by the District through June 30, 2018. In that event, the Retention Bonus account established by the District shall immediately and automatically vest in the Superintendent on June 30, 2018, and shall become the property of the Superintendent. The Superintendent shall not be entitled to receive any of the funds in the account if he leaves the employment of the District for any reason prior to June 30, 2018. Once vested, the account shall be freely transferable to the Superintendent subject to any amendments thereto.

Any changes in the terms of this Plan require the express written consent of the respective parties.

6. **Deferred Compensation.** The Contract is hereby amended to add Section 5.11 as follows:

5.11. Deferred Compensation. The District desires to promote and encourage the Superintendent to remain an employee of the District. Accordingly, the District shall make contributions of TWENTY THOUSAND DOLLARS AND NO/CENTS (\$20,000.00) per year to a qualified deferred compensation account of the Board's choice (based on the recommendation of the Superintendent) for the benefit of the Superintendent. This plan shall be the sole property of the Superintendent and he shall become vested in the deferred compensation account and have full ownership of the account upon establishment of same. The first contribution will be made by the District on or before June 30, 2014. Thereafter, on or before June 30th of each subsequent year of this Contract through (and including) June 30, 2018, and provided the Superintendent is employed by the District at that time, the District shall contribute an additional TWENTY THOUSAND DOLLARS AND NO/CENTS (\$20,000.00) in the account.

7. **Ratification of Contract.** The Contract, as hereby amended, is hereby ratified and confirmed by the Board and the Superintendent as a validly existing agreement between the parties in accordance with the terms thereof.

THUS EXECUTED on the respective dates set forth below, but EFFECTIVE for all purposes as of July 1, 2013.

WICHITA FALLS INDEPENDENT
SCHOOL DISTRICT

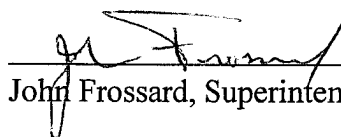
July 1, 2013

By 
Kevin J. Goldstein, President

ATTEST:


Allyson Flack, Board Secretary

JULY 1, 2013


John Frossard, Superintendent

Wichita Falls Independent School District
 FIRST Reporting - Disclosure for the Fiscal year 2012
 Reimbursements Received by the Superintendent and Board Members

For the Twelve-month Period Ended August 31, 2012	Superintendent	Superintendent	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
Description of Reimbursements	George Kazanas	John Frossard	Reginal Blow	Ken Hines	Dale Harvey	Allyson Flack	Bob Payton	Kevin Goldstein	Trey Sralla	Kirk Wolfe
Meals										
Lodging	877.82					628.74				
Transportation	336.00		224.76							
Motor Fuel	90.97									
Other (Registration/Books)	405.00		475.19	475.19		1,220.19	475.19			
Total	1,709.79	0.00	699.95	475.19	0.00	1,848.93	475.19	0.00	0.00	0.00

Wichita Falls Independent School District
 FIRST Reporting - Disclosure for the Fiscal year 2012
 Report of Superintendent's Compensation and/or Fees Received from Other Entities

Name of Entity	Amount	Description of Compensation/Fee
None Received per George Kazanas		
None Received per Dr. John Frossard		
Total	\$ -	

Wichita Falls Independent School District
FIRST Reporting - Disclosure for the Fiscal year 2012
 Gifts Received by Executive Officers and Board Members

For the Twelve-month Period Ended August 31, 2012	Superintendent	Superintendent 7/12-8/12	Assistant Supt of Instructional Services	Chief Financial Officer	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	
	9/11-5/12											
	George Kazanas	John Frossard	Tim Powers	Ronald Kuehler	Reginald Blow	Ken Hines	Allyson Flack	Bob Payton	Kevin Goldstein	Trey Sralla	Dale Harvey	Kirk Wolfe
Summary Amounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note: Executive Officers are defined as the Superintendent, Assistant Superintendent of Instructional Services, and the Chief Financial Officer. Gifts received by first degree relatives, if any, will be reported under the applicable school official.

Wichita Falls Independent School District
 FIRST Reporting - Disclosure for the Fiscal year 2012
 Business Transactions Between School District and Board Members

For the Twelve-month Period Ended August 31, 2012	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
	Reginald Blow	Ken Hines	Dale Harvey	Allyson Flack	Bob Payton	Kevin Goldstein	Trey Sralla	Kirk Wolfe
Amounts	0.00	0.00	0.00	0.00	0.00	0.00	2,100.00	0.00

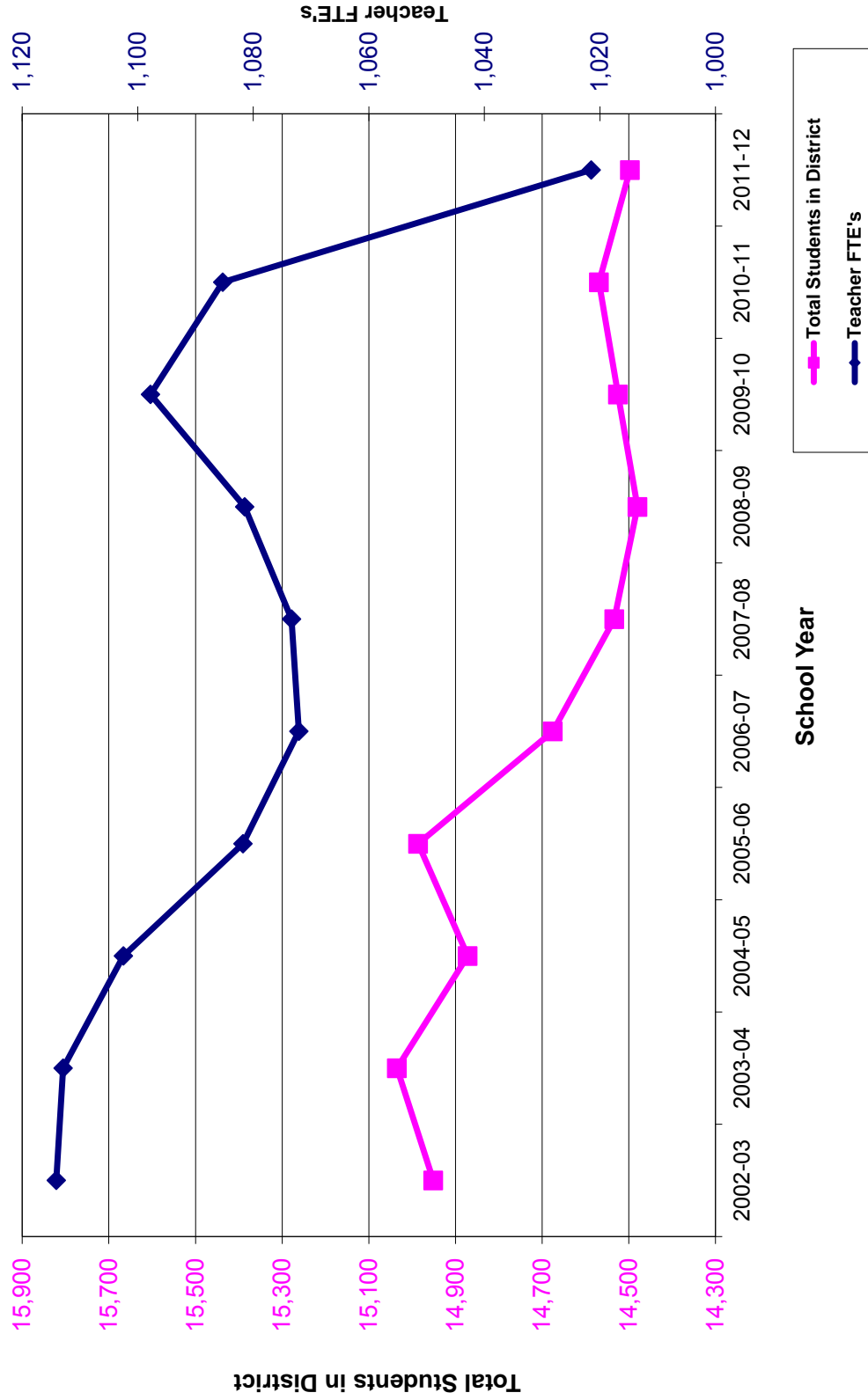
Wichita Falls Independent School District
 FIRST Reporting - Disclosure for the Fiscal year 2012
 Report of 2012-2013 General Fund - First Quarter Expenditures by Object Code

Payroll	Expenditures for payroll costs	\$ 19,454,992
Contract Costs	Expenditures for services rendered by firms, individuals, and other organizations	\$ 2,537,297
Supplies and Materials	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	\$ 500,183
Other Operating	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	\$ 208,043
Debt Service	Expenditures for debt service	\$ 18,627,377
Capital Outlay	Expenditures for land, buildings, and equipment	\$ 38,501

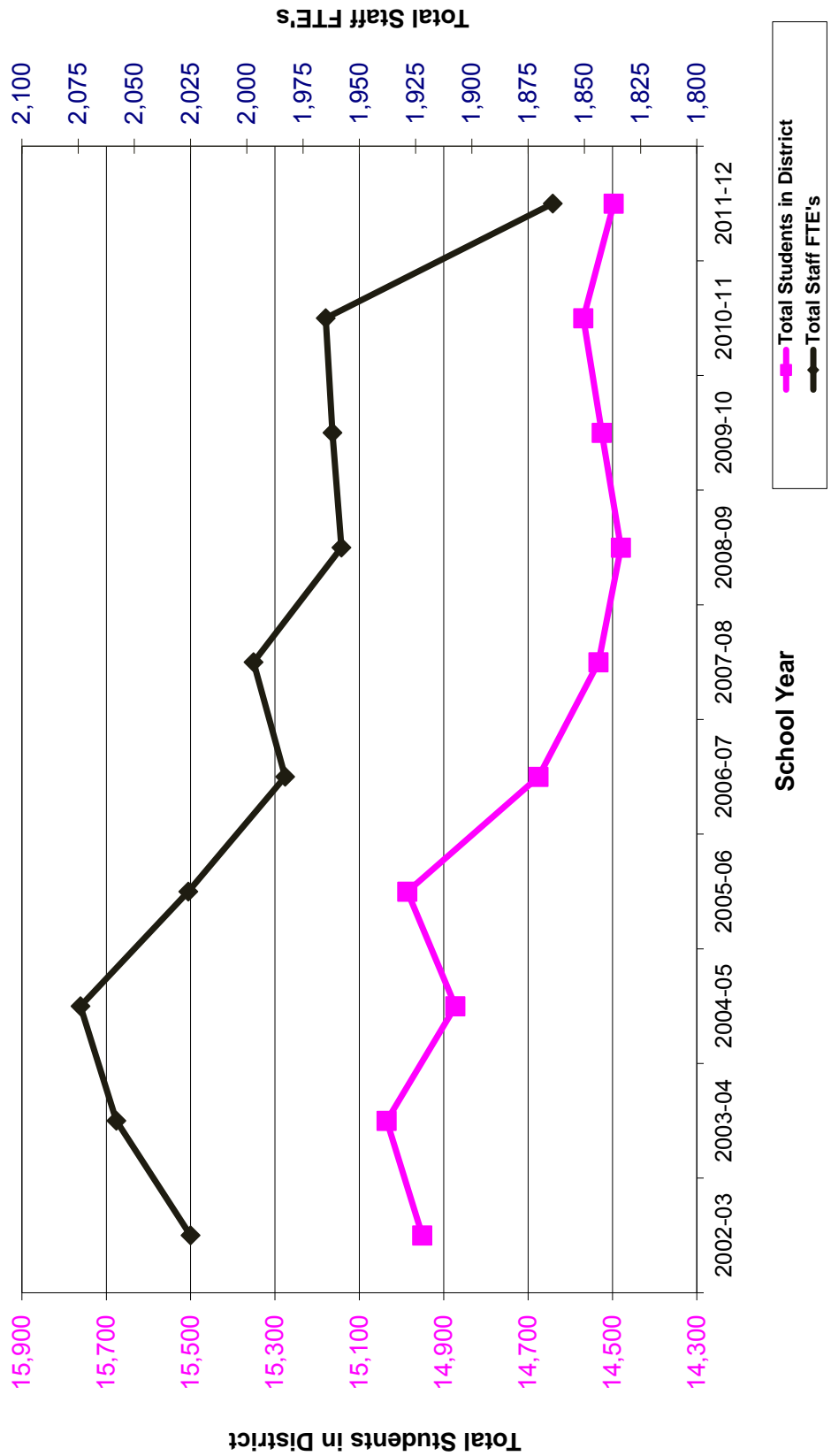
Wichita Falls Independent School District
FIRST Reporting - Disclosure for the Fiscal year 2012
Additional Financial Solvency Questions

- | | Yes | No |
|--|-----|----------|
| 1) Districts with a September 1 - August 31 fiscal year:
Within the last two years, did the school district <ul style="list-style-type: none"> 1) draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and 2) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61? | X | X |
| 2) Has the school district declared financial exigency within the past two years? | | X |
| 3) The administration believes that WFISD is in sound financial condition when measured by the State of Texas FIRST indicators as well as the District's own analysis. This soundness is further indicated by no rapid depletion of General Fund balances, nor any significant discrepancies between actual budget figures and projected revenues and expenditures. | | |
| 4) How many superintendents has your school district had in the last five years? | | <u>2</u> |
| 5) How many business managers has your school district had in the last five years? | | <u>3</u> |

WFISD Comparison of Students and Teachers



WFISD Comparison of Students and Staff





How Ratings are Assessed

Rating Worksheet

Preliminary ratings are to be released by Texas Education Agency in the summer of 2013. The Commissioner's Rules for School FIRST are contained in Title 19, Texas Administrative Code, Chapter 109, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System.

The questions a school district must address in completing the worksheet used to assess its financial management system can be confusing to non-accountants. The following is a layman's explanation of what the questions mean—and what your district's answers can mean to its rating.

1. Was total Fund Balance less Nonspendable and Restricted Fund Balance greater than Zero in the General Fund?

School districts must legally have a fund balance to ensure adequate funding for operations. This indicator is designed to ensure that your district has a positive amount of fund balance cash (savings) that is not designated or "restricted" for a specific purpose. In other words, "Does your district have funds set aside for a rainy day?"

2. Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) in the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's Five-Year Percent Change in Students was a 10% Increase or More then Answer Yes)

This indicator simply asks, "Did the district's total assets exceed the total

amount of liabilities (according to the very first financial statement in the annual audit report)?" Fortunately this indicator recognizes that high-growth districts incur large amounts of debt to fund construction, and that total debt may exceed the total amount of assets under certain scenarios.

3. Were there NO disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?

This indicator seeks to make certain that your district has paid your bills/obligations on bonds issued to pay for school construction, etc.

4. Was the Annual Financial Report filed within one month after the November 27 or January 28 deadline depending upon the district's Fiscal Year end date (June 30 or August 31)?

A simple indicator. Was your Annual Financial Report filed by the deadline?

5. Was there an Unqualified Opinion in the Annual Financial Report?

A "qualification" on your financial report means that you need to correct some of your reporting or financial controls. A district's goal, therefore, is to receive an "unqualified opinion" on its Annual Financial Report. This is a simple "Yes" or "No" indicator.

6. Did the Annual Financial Report NOT disclose any instance(s) of material weakness in internal controls?



How Ratings are Assessed

A clean audit of your Annual Financial Report would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed.

7. Was the three year average percent of total tax collections (including delinquent) greater than 98 percent?

This indicator measures your district's success in collecting the taxes owed to you by your community's businesses and homeowners, placing a 98 percent minimum collections standard. You must collect based upon a three-year average more than 98% of your taxes, including any delinquent taxes owed from past years. A district earns up to five points under this indicator based upon its relative performance.

8. Did the comparison of PEIMS data to like information in the Annual Financial Report result in an aggregate variance of less than 3 percent of expenditures per fund type (Data Quality Measure)?

This indicator measures the quality of data reported to PEIMS and in your Annual Financial Report to make certain that the data reported in each case "matches up." If the difference in numbers reported in any fund type is 3 percent or more, your district "fails" this measure.

9. Were Debt-Related Expenditures (net of IFA and/or EDA allotment) less than \$350 per student? (If the district's five-year percent change in students was a 7 percent increase or

more, or if property taxes collected per penny of tax effort were more than \$200,000, then the district receives 5 points.)

This indicator shows the Legislature's intent for school districts to spend money on education, rather than fancy buildings, by limiting the amount of money district's can spend on debt to \$350 per student. Fortunately, the Legislature did allow for fast-growth schools to exceed this cap. A district earns up to five points under this indicator based upon its relative performance.

10. Was there NO disclosure in the Annual Audit Report of Material Noncompliance?

NO disclosure means the Annual Audit Report includes no disclosure indicating that the school district failed to comply with laws, rules and regulations for a government entity.

11. Did the district have full accreditation status in relation to financial management practices? (e.g. no monitor, conservator, management team or board of managers assigned)

Did TEA take over control of your district due to financial issues such as fraud or having a negative fund balance? If not, you pass this indicator.

12. Was the aggregate of Budgeted Expenditures and Other Uses LESS THAN the aggregate of Total Revenues, Other Resources and Fund Balance in General Fund?

Did you overspend your budget? Your district will receive a negative rating on this measure if your total expenditures



How Ratings are Assessed

and other uses for the fiscal year exceeded your total funds available.

13. If the district’s Aggregate Fund Balance in the General Fund and Capital Projects Fund was LESS THAN zero, were construction projects adequately financed? (Were construction projects adequately financed or adjusted by change orders or other legal means to avoid creating or adding to the fund balance deficit situation?)

Did you over-spend on school buildings or other capital projects? This indicator measures your district’s ability to construct facilities without damaging your Fund Balance.

14. Was the ratio of Cash and Investments to Deferred Revenues (excluding amount equal to net Delinquent Taxes Receivable) in the General Fund greater than or equal to 1:1? (If Deferred Revenues are less than Net Delinquent Taxes Receivable, then the district receives 5 points)

This indicator measures whether or not your district has sufficient cash and investments to balance Fund Balance monies such as TEA overpayments (deferred revenues). In other words, your District should have fund balance monies of its own that are at least equal to those dollars that are there due to overpayments from TEA, and you should not be spending “next year’s” monies this year. A district earns up to five points under this indicator based upon its relative performance.

15. Was the Administrative Cost Ratio less than the Threshold Ratio?

This indicator measures the percentage of their budget that Texas school districts spent on administration. Did you exceed the cap in School FIRST for districts of your size?

16. Was the Ratio of Students to Teachers within the ranges shown below according to district size?

This indicator measures your pupil-teacher ratio to ensure that it is within TEA recommended ranges for district’s of your student population range. For example, districts with a student population between 500 and 999 should have no more than 22 students per teacher and no fewer that 10 students per teacher. A district earns up to five points under this indicator based upon its relative performance.

Indicator 16 District Size – No. of Students	Ranges for Ratios	
	Low	High
<500	7	22
500 – 999	10	22
1,000 – 4,999	11.5	22
5,000 – 9,999	13	22
=> 10,000	13.5	22

17. Was the Ratio of Students to Total Staff within the ranges shown below according to district size?

This indicator measures your pupil-staff ratio to ensure that it is within TEA-recommended ranges for district’s of your student population range. For example, districts with a student population between 500 and 1,000 should have no more than 14 students per staff member and no fewer that 5.8 students per district employee. A district earns up to five points under this indicator based upon its relative performance.



How Ratings are Assessed

Indicator 17

District Size – No. of Students	Ranges for Ratios	
	Low	High
<500	5	14
500 – 999	5.8	14
1,000 – 4,999	6.3	14
5,000 – 9,999	6.8	14
=> 10,000	7.0	14

18. Was the decrease in Unassigned Fund Balance less than 20% over two fiscal years? (If total Revenues exceeded Operating Expenditures in the General Fund, then the district receives 5 points)?

Are you “feeding off of your Fund Balance” to pay for salaries or other district operating expenses? This indicator notes rapid decreases in your undesignated Fund Balance (those dollars not designated as a “land fund” or “construction fund”) or emergency fund. A district earns up to five points under this indicator based upon its relative performance.

19. Was the Aggregate Total of Cash and Investments in the General Fund more than \$0?

Does your district have cash in the bank, and/or investments?

20. Were Investment Earnings in all funds (excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?

Are you using your cash or reserve fund (Fund Balance) monies wisely? A district earns five points if the investment performance meets or exceeds the benchmark rate.



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



GLOSSARY

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 Program, and School Health and Related



GLOSSARY

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 assets



GLOSSARY

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



GLOSSARY

Payments for Shared Services

Arrangements: Payments made either from a member district to a fiscal agent or payments from a fiscal agent to a member district as part of a Shared Services Arrangement (SSA). The most common types of SSAs relate to special education services, adult education services, and activities funded by the Elementary and Secondary Education Act (ESEA). Expenditures associated with 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 required; it's an automatic election if the adopted rate exceeds the rollback rate.



GLOSSARY

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, TASBO and TSPRA assume no responsibility for any errors, appearing in this information or otherwise. Further, TASBO and TSPRA assume no responsibility for the use of the information provided.

