

Financial Management Performance Report

KILGORE Independent School District

2006-2007 District Status

Public Hearing

September 22, 2008

Kilgore ISD

Financial Accountability Management Report

The Kilgore ISD received a rating of “Superior Achievement” for the fiscal year ended August 31, 2007 on the Schools FIRST financial accountability rating system. The Superior Achievement rating is the state’s highest, demonstrating the quality of Kilgore ISD’s financial management and reporting system.

This is the sixth year of Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. 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 Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being “Superior Achievement”. The rating system consists of twenty-four indicators. To receive the “Superior Achievement” rating the district must receive a score of 75 to 85 and have a positive response to indicator seven. The indicators either have a yes or no compliance factor or are ranked by point value, with some indicators being one point and others being five. See Exhibit D for further detail. Kilgore ISD received 80 of the possible 85 points, receiving zero (0) of five (5) points on indicator ten. That indicator assigns points based on debt payments per student in average daily attendance (ADA). In the 2006 – 2007 school year, Kilgore ISD refinanced bonds, and although a positive result occurs for the District, lower overall debt payments, the refinancing has to be shown as revenue and expense on the Districts books. Accordingly, the Districts debt expense per child was highly inflated and we earned no points on this indicator. The Texas Education Agency allowed no appeals on issues that did not affect a District’s overall rating. As the District had already achieved the highest rating, Superior Achievement, even with the loss of indicator ten, we were not allowed to protest the Agencies finding on this indicator.

The 2006-2007 District Status report is attached to this report as Exhibit A. The report contains each indicator and the result for the district. Anyone wishing to receive more details in any individual indicator, or any financial matter is asked to contact the Assistant Superintendent of Finances.

The Superior Achievement rating is due to successful efforts of the Board of Trustees, administration, faculty and staff of Kilgore ISD. These groups have successfully utilized resources available to the district to provide a quality education to the students of Kilgore ISD. Kilgore ISD is committed to continuing the efficient and effective use of all resources to maintain the Superior Achievement rating in the future.

Included in the report for the second year is information concerning the superintendent and board members. This information, presented in Exhibit B, is being given in an attempt to comply with the provisions of Title 19, TAC, Section 109.1005, and is presented in the format recommended by the Texas Education Agency. Additionally, included as Exhibit C, you will find a copy of the Superintendent’s contract required to be included in this report.

Exhibit A

2006 – 2007 District Status Detail Report

User: Revard Pfeffer
 User Role: District

YEAR 2006-2007

Help

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Financial Integrity Rating System of Texas

2006-2007 DISTRICT STATUS DETAIL

| | |
|-------------------------------------|---|
| Name: KILGORE ISD(092902) | Publication Level 1: 6/9/2008 1:55:51 PM |
| Status: Passed | Publication Level 2: None |
| Rating: Superior Achievement | Last Updated: 6/9/2008 1:55:51 PM |
| District Score: 80 | Passing Score: 55 |

| Status | | # | Indicator Description | Updated | | Score |
|--------|----|---|---|-----------------------|---|-------|
| | †1 | 1 | <u>Was The Total Fund Balance Less Reserved Fund Balance Greater Than Zero In The General Fund?</u> | 4/18/2008 10:09:01 AM | + | 1 |
| | †1 | 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> | 4/18/2008 10:09:01 AM | + | 1 |
| | †1 | 3 | <u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u> | 4/18/2008 10:09:02 AM | + | 1 |
| | †1 | 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> | 4/18/2008 10:09:02 AM | + | 1 |

| | | | | | | |
|---|----|----|---|-----------------------------|---|------------------------|
|  | +2 | 5 | <u>Was There An Unqualified Opinion In Annual Financial Report?</u> | 4/18/2008 10:09:02 AM | + | 1 |
|  | +2 | 6 | <u>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</u> | 4/18/2008 10:09:02 AM | + | 1 |
| | | | | | = | 1 Multiplier Sum |
| | | 7 | <u>Did the Districts Academic Rating Exceed Academically Unacceptable?</u> | 4/18/2008 10:09:02 AM | + | 1 |
| | | 8 | <u>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</u> | 4/18/2008 10:09:02 AM | + | 1 |
| | | 9 | <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> | 4/18/2008 10:09:03 AM | + | 1 |
| | | 10 | <u>Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < \$250.00 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> | 4/18/2008 10:09:03 AM | + | 1 |
| | | 11 | <u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u> | 4/18/2008 10:09:03 AM | + | 1 |
| | | 12 | <u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</u> | 4/18/2008 10:09:03 AM | + | 1 |

| | | | | |
|----|--|-----------------------------|---|---|
| 13 | <u>Was The Percent Of Operating Expenditures Expended For Instruction More Than 65%? (Functions 11, 36, 93, 95) (Phased in over three years, 55% for 2006-2007; 60% for 2007-2008; and 65% for 2008-2009)</u> | 4/25/2008 12:00:34 PM | + | 1 |
| 14 | <u>Was The Percent Of Operating Expenditures Expended For Instruction More Than or equal to 65%? (Functions 11, 12, 31, 33, 36, 93, 95)</u> | 4/18/2008 10:09:03 AM | + | 1 |
| 15 | <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> | 4/18/2008 10:09:04 AM | + | 1 |
| 16 | <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> | 4/18/2008 10:09:04 AM | + | 0 |
| 17 | <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 Net Delinquent Taxes Receivable)</u> | 4/18/2008 10:09:04 AM | + | 1 |
| 18 | <u>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</u> | 4/18/2008 10:09:04 AM | + | 1 |
| 19 | <u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u> | 4/18/2008 10:09:04 AM | + | 1 |
| 20 | <u>Was The Ratio Of Students To Total</u> | 4/18/2008 | + | 1 |

| | | | | | |
|--|----|---|-----------------------|---|------------------|
| | | <u>Staff Within the Ranges Shown Below According To District Size?</u> | 10:09:04 AM | | |
| | 21 | <u>Was The Total Fund Balance In The General Fund More Than 50% And Less Than 150% Of Optimum According To The Fund Balance And Cash Flow Calculation Worksheet In The Annual Financial Report?</u> | 4/18/2008 10:09:05 AM | + | 1 |
| | 22 | <u>Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If 1.5 Times Optimum Fund Balance < Total Fund Balance In General Fund Or If Total Revenues > Operating Expenditures In The General Fund,Then District Receives 5 Points)</u> | 4/18/2008 10:09:05 AM | + | 0 |
| | 23 | <u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u> | 4/18/2008 10:09:05 AM | + | 1 |
| | 24 | <u>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) More Than \$20 Per Student?</u> | 4/18/2008 10:09:05 AM | + | 1 |
| | | | | = | 80 Weighted Sum |
| | | | | × | 1 Multiplier Sum |
| | | | | = | 80 Score |

†1: must pass 4 total †2: must pass 1 total

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 7-24) | |
| | Superior Achievement | 75-85 and Yes to indicator 7 |
| | Above Standard Achievement | 65-74 or ≥ 75 and No to indicator 7 |
| | Standard Achievement | 55-64 |
| | Substandard Achievement | < 55 or No to one default indicator |

INDICATOR 19 & 20 RATIOS

| Indicator 19 | Ranges for Ratios | | Indicator 20 | 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 |
| $\Rightarrow 10000$ | 13.5 | 22 | $\Rightarrow 10000$ | 7.0 | 14 |

OPTIONS

| | | |
|-------------------------|------------|-------------------------|
| Update Unpassed | Update All | Lower Publication Level |
| Raise Publication Level | Suspend | Suspension Reason. |

Audit Home Page: [School Financial Audits](#) | Send comments or suggestions to schoolaudits@tea.state.tx.us

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

Exhibit B

First Rating Supplement Information
Superintendent and Board of Trustees

Kilgore Independent School District
 2008 Final School FIRST Rating
 Supplemental Information

Kilgore Independent School District presents the following information along with the District's Final School FIRST Rating information including detail of our indicator scores in an effort to comply with requirements of Title 19, TAC, Section 109.1005.

Superintendent's Contract

A copy of the superintendent's contract has been included with this 2008 School First Rating in Exhibit C

Reimbursements Received by the Superintendent and Board Members

| Description of Reimbursements | Jerry Roberts | | George Faber | | Terry George | | Guy Hargrave | | Bryan Cole | | Debbie Phillips | | Mark Dickey | | Howard Stephens | | Janet Marley | |
|----------------------------------|--------------------|-----------------|-----------------|-----------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Superintendent | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member | Board Member |
| Meals - per diem | \$ 83.00 | \$ - | \$ - | \$ 70.00 | \$ 47.00 | \$ 70.00 | \$ 47.00 | \$ 70.00 | \$ 47.00 | \$ 70.00 | \$ 47.00 | \$ 47.00 | \$ 47.00 | \$ 47.00 | \$ 47.00 | \$ 47.00 | \$ 47.00 | \$ 47.00 |
| Meals - actual cost | 244.30 | - | - | 68.46 | 68.46 | 103.48 | 68.46 | 103.48 | 34.23 | 68.46 | 68.46 | 68.46 | 68.46 | 34.23 | 152.13 | 152.13 | 152.13 | 103.48 |
| Lodging | 334.73 | - | - | 284.28 | 284.28 | 553.72 | 277.50 | 553.72 | 279.12 | 277.50 | 277.50 | 277.50 | 277.50 | 279.12 | 841.43 | 841.43 | 841.43 | 548.19 |
| Fuel for Vehicle | 4,319.99 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Per Diem Mileage | 281.16 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Workshop/Conference Registration | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 295.00 | 20.00 | 295.00 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 295.00 | 295.00 | 295.00 | 295.00 |
| Membership Dues | 80.00 | - | - | 6.40 | 6.40 | - | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 | 6.40 |
| Other | 6.40 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | \$ 5,369.58 | \$ 20.00 | \$ 20.00 | \$ 90.00 | \$ 426.14 | \$ 1,022.20 | \$ 399.36 | \$ 1,022.20 | \$ 386.75 | \$ 1,411.96 | \$ 1,411.96 | \$ 1,411.96 | \$ 1,411.96 | \$ 1,411.96 | \$ 1,411.96 | \$ 1,411.96 | \$ 1,411.96 | \$ 1,016.67 |

The above information was compiled from District records, and includes direct payments to individuals, credit card charges paid by the District and expenditures paid through the District purchase order process on behalf of the individual.
 Meals - are meals consumed out of town, and in-district meals at area restaurants (outside of board meetings, excludes catered board meeting meals), which by District practice could be a per diem reimbursement.
 Lodging - Hotel charges.
 Per Diem Mileage - miles traveled by individuals based on the Comptrollers mileage schedule reimbursed at an approved rate of \$0.44 per mile
 Transportation - Airfare, car rental, parking and tolls.
 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.

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services

For the Twelve-Month Period
 Ended August 31, 2006
 Name(s) of Entity(ies)
 None

Amount Received
 \$ _____

 \$0.00

Total

Kilgore Independent School District has no requirements of employees to report such earnings to the District, as such, a statement was requested from the Superintendent concerning such matters.

**Gifts Received by Executive Officers and Board Members (and First Degree Relatives, if any)
 (gifts that had an economic value of \$250 or more in the aggregate in the fiscal year)**

For the Twelve-Month Period
 Ended August 31, 2006

| | | | | | | | | |
|---------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|---------------------------------|----------------------------|---------------------------------|------------------------------|
| Jerry Roberts Superintendent | George Faber Board Member | Terry George Board Member | Guy Hargrave Board Member | David Hedrick Board Member | Debbie Phillips Board Member | Doug Smith Board Member | Howard Stephens Board Member | Janet Marley Board Member |
| \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total | | | | | | | | |
| \$0.00 | | | | | | | | |

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification for local officials.

Kilgore Independent School District as noted above does not require its executive officers to report such items to the District and has no system set up to compile this information. As such, an informational request was sent to each individual requesting any such information. The information in the statements received from these individuals is reported above. Individuals with no value below their name had not return the information request at the time this report was compiled..

Kigore Independent School District
 2008 Final School FIRST Rating
 Supplemental Information

Business Transactions Between School District and Board Members

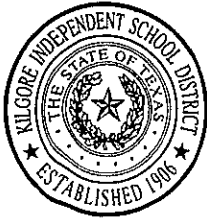
For the Twelve-Month Period
 Ended August 31, 2006

| | | | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| George Faber | Terry George | Guy Hargrave | Bryan Cole | Debbie Phillips | Mark Dickey | Howard Stephens | Janet Marley |
| <u>Board Member</u> | <u>Board Member</u> | <u>Board Member</u> | <u>Board Member</u> | <u>Board Member</u> | <u>Board Member</u> | <u>Board Member</u> | <u>Board Member</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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

Exhibit C

Superintendents Contract



KILGORE INDEPENDENT SCHOOL DISTRICT

301 N. KILGORE STREET ★ KILGORE, TEXAS 75662-5499
(903) 984-2073 ★ (903) 983-3212 (fax)

STATE OF TEXAS

COUNTY OF GREGG

SUPERINTENDENT'S CONTRACT KILGORE INDEPENDENT SCHOOL DISTRICT

It is hereby agreed by and between the Board of Education (hereinafter called the Board) of the Kilgore Independent School District (hereinafter called the School District) located in Gregg County in the State of Texas and Jody D. Clements (hereinafter called the Superintendent) that the said Board in accordance with the Texas Education Code, Chapter 23, Subchapter B, Section 23.28 and as recorded in the official minutes of the meeting of the Board held on the 7th day of January, 2008 has and does employ Jody D. Clements as Superintendent of Schools, to serve in this capacity for twelve (12) months per year, for a Three (3) year period commencing on June 1, 2008. Both parties agree that said employee shall perform the duties of the Superintendent of Schools in said district as provided by State and Federal law and administrative directives; by the policies, rules, regulations, and directives adopted by the Board as authorized by the laws of the State of Texas; and under the terms agreed to herein by both parties as witnessed below:

-1-

1. Compensation

(a) In consideration of the following compensation said Superintendent agrees to perform faithfully the duties of Superintendent of Schools and Executive Officer of the Board.

(b) The annual salary shall be \$ 135,000.00 the annual salary shall be paid in twelve equal monthly installments in accordance with the policy of the Board regarding payment of other professional staff members of the School District.

(c) The School District shall pay the membership fees of the said Superintendent of the following organizations: AASA, TASA, TASPAA.

(d) All forms of emolument and benefits accorded by Board policy to all professional employees shall also apply to the Superintendent.

(e) By mutual consent of both parties the Board may adjust the annual salary of the Superintendent at any time during the term of the contract and shall not reduce the annual salary below the amount agreed to above or below any previously adjusted amount. Such adjustments shall not be considered as a new contract nor as an extension or renewal of this contract.

2. Renewal of Contract

Renewal of the full term of the Superintendent's contract shall be considered by the Board meeting in executive (closed) session in the month of January of each year. If the Board's decision is to renew all or any part of the full term of the Superintendent's contract, such contract renewal shall result in the cancellation by agreement of any existing contract and issuance of a complete new contract with terms as agreed by both parties.

3. Annual Review and Appraisal of Superintendent-Board Relationship Performance

The Board shall have at least one executive (closed) meeting of the Board annually for the purposes of reviewing and appraising the performance of the Superintendent, the respective roles of the Superintendent and the Board, and the Superintendent-Board relationship. Such meeting(s) shall be held no later than March 1 of each school year. Any written record of the deliberations of this meeting shall be confidential and shall be maintained in the files of the Board.

4. Disability of the Superintendent

Should the Board in consultation with an examining physician determine that the Superintendent has become unable to perform any or all of the duties of his position by reason of disability due to illness, accident or other cause and such disability exists for a period of more than his accrued number of sick leave days during any year of the life of this contract, the Board may make a proportionate deduction from the salary stipulated and if such disability continues for more than 120 days or if such disability is determined by the Board in consultation with an examining physician to be permanent or irreparable, the Board may, at its option, terminate this contract whereupon the respective rights, duties and obligations herein stated shall terminate.

5. Professional Activities Not Directly Related to the School District

The Superintendent shall, subject to the approval of the Board, attend and participate in appropriate professional meetings at the local, state and national level with the expenses of such attendance to be borne by the School District. The Superintendent shall participate fully in the work of appropriate professional associations to the extent of holding office or accepting the responsibility of assignments if elected or appointed. With the approval of the Board, the Superintendent may undertake writing, consultative work, teaching and speaking engagements provided, however, that the expense of such activities shall not be borne by the School District and that such activities do not detract from the performance of his duties and responsibilities as Superintendent of Schools.

6. Vacation, Holidays and Sick Leave

The Superintendent may observe the same legal holidays as provided by Board policy for other professional staff on twelve month contract and shall be allowed the same number of days vacation and sick leave as provided by Board policy for the professional staff on twelve month contract.

7. Travel and Transportation Expenses

(a) The Board shall provide an automobile for the Superintendent's use and shall provide for the insurance, maintenance, repair, and operating expenses of said automobile. Other travel expenses incurred in the performance of his official duties such as meals, lodging, etc. shall be paid by the School District.

(b) At the discretion of the Superintendent, public conveyance (airplane, train) may be used as the mode of transportation for out-of-district trips with the actual cost of such travel to be borne by the School District.

8. Dismissal Provisions

(a) The Superintendent may be discharged and salary payments terminated by the Board during any year of the life of this contract for one or more of the following reasons: immorality, conviction of a felony or other crime involving moral turpitude, drunkenness or excessive use of alcoholic beverages, habitual use of addictive drugs or hallucinogens, repeated failure to comply with official directives and established Board policy, physical or mental capacity preventing the satisfactory performance of duties or repeated neglect of duties, misrepresentation of material facts regarding his duties or the affairs of the District.

(b) The Superintendent may be discharged at the end of any contract year before the end of the fixed term of this contract and his salary payments may be terminated by the Board for any reason in the immediately preceding paragraph or for any of the following reasons: incompetency in the performance of duties, failure to comply with reasonable requirements of the Board for achieving professional growth and improvement, willful failure to pay debts, or other good and sufficient cause, other good and sufficient cause being the failure of the Superintendent to meet and abide by the standards of conduct and performance as generally recognized and applied in similarly situated school districts or as prescribed by the Code of Ethics of the American Association of School Administrators and the Code of Ethics and Standards for Texas Educators. Before the Superintendent shall be discharged during a contract year or at the end of a contract year prior to the end of the fixed term of this contract, he shall be notified in writing of the proposed action and of the specific charges upon which the proposed action is based.

(c) Within ten (10) days after receipt of written notice of the proposed action to discharge, the Superintendent may request in writing a formal hearing before the Board. Such hearing may be public if requested by the Superintendent or if the Board determines that a public hearing is necessary in the best public interest.

(d) Within ten (10) days after receipt of the request for hearing, the Board shall fix a time and place of hearing mutually agreeable to both parties. The date of such hearing shall allow a reasonable amount of time to prepare a proper defense against the charges upon which the proposed action is based and shall occur no later than thirty (30) days following the Board's receipt of a request for a hearing unless mutually agreed to by the Board and Superintendent.

(e) If he chooses, the Superintendent may be represented by legal counsel at the hearing with the resulting legal expenses to be borne by the Superintendent. The Superintendent and/or his legal counsel shall have the opportunity to hear the charges and the evidence upon which charges are based and shall have the opportunity to present evidence in his own behalf and shall have opportunity to confront and cross-examine witnesses. A written transcript of the hearing shall be made and the cost of such transcript shall be borne by the Board. Within fifteen (15) days after such hearing, the Board shall make its decision and shall take such action as it deems appropriate and lawful and shall give written notice to the Superintendent of such decision and action.

(f) The Superintendent may be suspended from his duties with or without pay by action of the Board pending the outcome of any investigation or hearing regarding the proposed discharge of the Superintendent. If the suspension is without pay, a hearing must be held within fifteen (15) days of the receipt of a written request for a hearing unless by written consent of the Superintendent.

9. Compliance With Records Requirements

The Superintendent shall furnish throughout the term of his employment as Superintendent of Schools a valid and appropriate certificate to act as Superintendent of Schools in the State of Texas as prescribed by the laws of this State and by the regulations of the Texas State Board of Education, experience records, oath of office, medical records and other records required for personnel files or payroll purposes.

10. Working Relationships and Responsibilities

(a) The employment organization and arrangement of the professional staff for effective administration, supervision and teaching shall be based upon the recommendations of the Superintendent to the Board and as agreed to by the Board.

(b) The Board, individually or as a body, shall promptly refer all criticisms, complaints and suggestions to the Superintendent for resolution or study and recommendation.

(c) Except as otherwise directed by the Board, the Superintendent shall attend all meetings of the Board, both public and closed, and shall participate in the deliberations of the Board on all matters with the exception of those meetings devoted to the evaluation of his performance, consideration of renewal of his contract, and/or consideration of the Superintendent's salary.

11. General Provisions

(a) The Superintendent and Board shall fulfill all aspects of this contract. Any exception thereto shall be by mutual consent of both parties and attached as an amendment hereto.

(b) Failure to fulfill the obligations agreed to in this contract by either party may be reported to the other party, to the Commissioner of Education of the State of Texas, to the Professional Practices Commission of the State of Texas and the appropriate professional associations for the purpose of obtaining redress or sanction.

(c) The Superintendent may be released from performance of this contract only in accordance with Board policy.

(d) This contract is subject to all applicable federal and state laws, rules and regulations. Invalidity of any portion of this contract under the laws of the State of Texas or of the United States shall not affect the validity of the remainder of the contract.

(e) In the event that the provisions of this contract conflict or differ with any policy of the School District then it is agreed that this contract is controlling.

(f) This contract is the full agreement between the parties and supersedes all prior agreements or representations concerning the employment of the Superintendent.

WITNESSED this the 7th day of January, 2008.

George A. Faber
President, Board of Education

Terry George
Secretary, Board of Education

John Clent
Superintendent

Exhibit D

How Ratings are Assessed



How Ratings are Assessed

Rating Worksheet

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 Reserved 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 "reserved" 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 for 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. Did the district's academic rating exceed academically unacceptable?

This indicator simply asks whether the district's accreditation status is in good standing.

8. Was the 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 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.

9. 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.

10. Were Debt-Related Expenditures (net of IFA and/or EDA allotment) less than \$250 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 \$250 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.

11. 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.

12. Did the district have full



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accreditation status in relation to financial management practices? (e.g. no conservator or monitor 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.

13. Was the percent of operating expenditures expended for instruction more than or equal to 65%? (Functions 11, 36, 93 and 95) (Phased in over five years: 55% for 2006-2007, 60% for 2007-2008, 65% for 2008-2009)

This indicator shows your district's ability to focus the majority of its funding so that it directly pays for student instruction. Student instructional costs only include expenditure categories in the reporting format followed by the NCES (National Center for Educational Statistics), which include function code 11, instruction; function code 36, extracurricular activities; function code 93, payments to cooperatives; and function code 95, payments to juvenile justice alternative education programs. A district earns up to three points under this indicator based upon its relative performance. The district may post its check register and aggregate payroll amount if its performance on Indicator 13 prevents attaining the three points.

14. Was the percent of operating expenditures expended for instruction more than or equal to 65%? (Functions 11, 12, 31, 33, 36, 93 and

95)

This indicator provides another perspective on your district's ability to focus the majority of its funding so that it directly pays for student instruction. Student instructional costs include expenditure categories in the reporting format followed by the NCES (National Center for Educational Statistics) plus costs reported under function code 12, libraries and media services; function code 31, guidance, counseling and evaluation services; and function code 33, medical services. A district earns up to three points under this indicator based upon its relative performance.

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

16. 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



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or other capital projects? This indicator measures your district's ability to construct facilities without damaging your Fund Balance.

17. 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.

18. Was the Administrative Cost Ratio less than the standard in State Law?

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?

19. 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 than 10 students per teacher. A district earns up to five points under this indicator based upon its relative performance.

| Indicator 19 | | |
|-----------------|-------------------|------|
| District Size – | Ranges for Ratios | |
| No. of Students | 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 |

20. 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 than 5.8 students per district employee. A district earns up to five points under this indicator based upon its relative performance.



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Indicator 20

| 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 |

21. Was the Total Fund Balance in the General Fund more than 50 percent and less than 150 percent of Optimum according to the Fund Balance and Cash Flow Calculation Worksheet in the Annual Financial Report?

Your district’s audit provides an optimum General Fund “Fund Balance” for your district. Your district should have no less than one-half and no more than one and one-half times this amount in your Fund Balance, counting both reserved and unreserved fund balances. A district earns up to five points under this indicator based upon its relative performance.

22. Was the decrease in Undesignated Unreserved Fund Balance less than 20 percent over two Fiscal Years? (If 1.5 times Optimum Fund balance is less than total Fund Balance in General Fund or if Total Revenues the General exceeded Operating Expenditures in 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.

23. 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?

24. Were Investment Earnings in all funds (excluding Debt Service Fund and Capital Projects Fund) more than \$20 per student?

Are you using your cash or reserve fund (Fund Balance) monies wisely? A district earns up to five points under this indicator based upon its relative performance.