



**Annual Financial Management Report
2021 – 2022**



Rockwall
INDEPENDENT SCHOOL DISTRICT

Rockwall Independent School District

Rockwall Independent School District

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Rockwall

INDEPENDENT SCHOOL DISTRICT

Dr. John Villarreal
Superintendent

October 16, 2023

To The Citizens of Rockwall Independent School District:

In accordance with Texas Administrative Code Chapter 109, Subchapter AA 109.001, the 2021-2022 Annual Financial Management Report is being presented. During these challenging times, maintaining the financial health of the District and modeling accountability is imperative. One of the District's core beliefs is that high expectations lead to high levels of success. This belief applies to our students, staff and financial operations of the District. The Board of Trustees has set a goal that the District will demonstrate fiscal responsibility and communicate financial information to our stakeholders. This report is presented to fulfill these beliefs and goals.

We are pleased to report that Rockwall Independent School District received a superior rating from the Texas Education Agency regarding financial operations. This is the highest rating that can be achieved.

This is the 21st year that Texas school districts are reporting the results of the state's financial accountability system, Financial Integrity Rating System of Texas (FIRST). In addition to the evaluation of 20 criteria and disclosures (4 of which are not being scored this reporting year), the Financial Solvency Provisions of TEC §39.0822 now require additional data to assist in evaluating a school district's financial solvency. We are pleased with our ratings and will strive to continue to improve the financial operations of the District.

Sincerely,

Dr. John Villarreal
Superintendent of Schools

**Rockwall Independent School District
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Executive Summary**

Background Information:

Senate Bill (SB) 875 of the 76th Legislature in 1999 required the development of a proposal for a school financial accountability rating system for school districts. The 83rd Texas Legislature in 2001 enacted SB 218, which requires the implementation of a financial accountability rating system and was amended under House Bill 5, 83rd Texas Legislature, Regular Session 2013. The financial accountability rating system is officially referred to as “Schools FIRST” (Financial Integrity Rating System of Texas). The primary goal of Schools FIRST is to achieve quality, a goal made more significant due to the complexity of accounting associated with Texas’ school finance system. The Schools FIRST accountability rating ensures that Texas school districts are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently.

The primary objective of the rating system is to assess the quality of financial management in Texas public schools. A secondary objective is to measure and report the extent to which financial resources in Texas public schools assure the maximum allocation possible for direct instructional purposes. Other objectives reflect the implementation of a rating system that fairly and equitably evaluates the quality of financial management decisions. After full implementation of the rating system, the districts’ ratings will be openly reported to the general public and to other interested persons and entities.

District Ratings

The Schools FIRST accountability rating system assigns financial accountability ratings to Texas school districts by the applicable number of points earned as follows:

- A = Superior 90-100
- B = Above Standard 80-89
- C = Meets Standard 70-79
- F = Substandard Achievement < 70

Districts that receive the “Substandard Achievement” rating under Schools FIRST must file a corrective action plan with the Texas Education Agency.

**Rockwall Independent School District
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**For 2021-2022 the Rockwall Independent School District received
a School FIRST rating of:**

**A = SUPERIOR ACHIEVEMENT
Resulting in a status of
PASSED**

Reporting, Notices and Public Meetings

The Board of Trustees will publish an annual report describing the financial management performance of the district. The report must include the information provided by the Texas Education Agency and any supplemental information as may be determined by the local board of trustees. **A copy of the report is available, upon request, at the District's administrative offices and on the district's website.**

As required by State law, the Board of Trustees shall hold a public meeting within two months of receiving the School FIRST ratings. Notice of the meeting to discuss the school financial accountability rating must be published twice in a local newspaper. The first notice must be no more than thirty days or less than ten days prior to the scheduled meeting date. The District has complied with the public hearing notifications in the local newspaper. **The public meeting was held in conjunction with the regularly called Board of Trustees meeting on October 16th, 2023.**



Financial Integrity Rating System of Texas

2022-2023 RATINGS BASED ON SCHOOL YEAR 2021-2022 DATA

Name: ROCKWALL ISD (199901)		
Status: PASSED		Rating: A = SUPERIOR
District Score: 98		Passing Score: 70
#	Indicator Description	Score
1	Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?	Yes
2	Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)	Yes
3	Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?	Yes
4	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes Ceiling Passed
5	This indicator is not being evaluated.	
6	Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures?	Yes Ceiling Passed



Financial Integrity Rating System of Texas

2022-2023 RATINGS BASED ON SCHOOL YEAR 2021-2022 DATA

#	Indicator Description	Score
7	Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?	10
8	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	10
9	Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's cash on hand greater than or equal to 60 days?	10
10	This indicator is not being evaluated.	10
11	Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? If the school district's increase in students in membership over 5 years was 7 percent or more, then the school district automatically passes this indicator.	10
12	Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?	8
13	Was the school district's administrative cost ratio equal to or less than the threshold ratio?	10
14	This indicator is not being evaluated.	10



Financial Integrity Rating System of Texas

2022-2023 RATINGS BASED ON SCHOOL YEAR 2021-2022 DATA

#	Indicator Description	Score
15	This indicator is not being evaluated.	5
16	Did the comparison of Public Education Information System (PEIMS) data to like information in the school district’s AFR result in a total variance of less than 3 percent of all expenditures by function? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed
17	Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 70 points, C = Meets Standard)	Ceiling Passed
18	Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance)	10
19	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district’s fiscal year end?	5
20	Did the school board members discuss the district’s property values at a board meeting within 120 days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed



Financial Integrity Rating System of Texas

DETERMINATION OF RATING

A.	Did the school district fail any of the critical indicators 1, 2, 3, or 4? If so, the school district’s rating is F for Substandard Achievement regardless of points earned.	
B.	Determine Rating By Applicable Range For Summation of the Indicator Scores (Indicators 6-15)	
	A = Superior	90-100
	B = Above Standard	80-89
	C = Meets Standard	70-79
	F = Substandard Achievement	<70
<p>No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.</p> <p>The school district receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, or 4, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis .</p>		



Financial Integrity Rating System of Texas

CEILING INDICATORS

Did the school district meet the criteria for any of the following ceiling indicators 4, 6, 16, 17, or 20? If so, the school district's applicable maximum points and rating are disclosed below. Please note, an F = Substandard Achievement Rating supersedes any rating earned as the result of the school district meeting the criteria of a ceiling indicator.		
Determination of rating based on meeting ceiling criteria.	Maximum Points	Maximum Ratings
Indicator 4 (Timely Payments) – School district was issued a warrant hold.	95	A = Superior Achievement
Indicator 6 (Average Change in Fund Balance) – Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 16 (PEIMS to AFR) – Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 17 (Material Weaknesses) – Response to indicator is <i>No</i> .	79	C = Meets Standard Achievement
Indicator 20 (Property Values and Tax Discussion) – Response to indicator is <i>No</i> .	89	B = Above Standard Achievement



HOW RATINGS ARE ASSESSED

Rating Worksheet

Preliminary ratings are released by Texas Education Agency every calendar year during the summer. 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 School FIRST Communications Kit was updated in August 2021 to include changes in the Commissioner's Rule for School FIRST that were implemented by the Texas Education Agency beginning with ratings year 2020-2021 based primarily on data from fiscal year 2020.

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 the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?

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

2. Review the AFR for an unmodified opinion and material weaknesses.

Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of

Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)?

3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)

This indicator seeks to make certain that your district has timely paid all bills/obligations, including financing arrangements to pay for school construction, school buses, photocopiers, etc.

4. Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?

This indicator seeks to make sure the district fulfilled its obligation to the TRS, TWC and IRS to transfer payroll withholdings and to fulfill any additional payroll-related obligations required to be paid by the district.

5. Was the total unrestricted Net Position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Positions greater than zero? (If the school district's change of students in membership over 5 years was



HOW RATINGS ARE ASSESSED

7 percent or more, then the school district passes this indicator.)

This indicator is not being scored this year due to the impact of accounting changes implemented by the Governmental Accounting Standards Board.

6. Was the average change in (assigned and unassigned) fund balance over 3 years less than a 25% decrease or did the current year assigned and unassigned fund balance exceed 75 days of operational expenditures? (If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)?

This indicator measures the percentage change in fund balance to see whether the fund balance is declining too quickly, and if it is declining, whether sufficient fund balance remains to operate for at least 75 days.

7. Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?

This indicator measures how long in days after the end of the fiscal year the school district could have disbursed funds for its operating expenditures without receiving any new revenues. Did you meet or exceed the target amount in School FIRST?

8. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?

This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. Did you meet or exceed the target amount in School FIRST?

9. Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?

This indicator simply asks, "Did you spend more than you earned?" (the school district will automatically pass this indicator, if the school district had at least 60 days cash on hand.)

10. Did the school district average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?

This indicator is currently not being scored due to the impacts of COVID-19.

11. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.)

This question is like asking someone if their mortgage exceeds the market value of their home. Were you below the cap for this ratio in School FIRST? Fortunately, this indicator recognizes that high-growth districts incur additional operating costs to open new instructional campuses.



HOW RATINGS ARE ASSESSED

12. Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?

This indicator asks about the school district's ability to make debt principal and interest payments. Did you meet or exceed the target amount in School FIRST?

13. Was the school district's administrative cost ratio equal to or 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?

14. Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)

If the school district had a decline in students over 3 school years, this indicator asks if the school district decreased the number of the staff on the payroll in proportion to the decline in students. (The school district automatically passes this indicator if there was no decline in students.)

15. Was the school district's ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections? See ranges below in the Determination of Points section.

This indicator is currently not being scored due to the impact of COVID-19 on school district attendance.

16. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?

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. If the district fails this indicator, the maximum points and highest rating the district may receive is 89 points and a B, which is equal to above standard achievement.

17. Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)

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. If the district fails this indicator, the maximum points and highest rating the district may receive is 79 points and a C, which is equal to meets standard achievement.

18. Did the external independent auditor indicate the AFR was free of any



HOW RATINGS ARE ASSESSED

instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)

This indicator measures whether the district is complying with laws, rules and regulations related to the expenditure of grant funds, contracts, and other state and federal funds.

19. Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?

This indicator measures whether the district is complying with legal requirements related to financial transparency by posting all required information.

20. Did the school districts' administration and board members discuss any changes and/or impacts to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)

This indicator measures whether the school board had the opportunity to consider the impact of changes in funding on the finances of the district. If the district fails this indicator, the maximum points and highest rating the district may receive is 89 points and a B, which is equal to above standard achievement.



DISCLOSURES

Per Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, the six (6) disclosures are presented as appendices in the Schools FIRST financial management report.

1. Superintendent's Employment Contract in Effect on the Date of the Schools FIRST public hearing in calendar year 2023
2. Reimbursements Received by the Superintendent and Board Members in Fiscal Year 2022
3. Outside compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2022
4. Gifts Received by the Executive Officer(s) and Board Member(s) in Fiscal Year 2022
5. Business Transactions between School District and Board Member in Fiscal Year 2022
6. Any other information the board of trustees of the school district or open-enrollment charter school determines to be useful.

SUPERINTENDENT'S EMPLOYMENT CONTRACT

STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF ROCKWALL §

THIS SUPERINTENDENT'S EMPLOYMENT CONTRACT ("Contract") is made and entered into by and between the Board of Trustees (the "Board") of the Rockwall Independent School District (the "District") and Dr. John E. Villarreal (the "Superintendent").

W I T N E S S E T H:

NOW, THEREFORE, the Board and the Superintendent, for and in consideration of the terms hereinafter established and pursuant to Section 11.201(b) and Chapter 21, Subchapter E of the Texas Education Code, have agreed, and do hereby agree, as follows:

I. Term

1.1 **Term.** The Board, by and on behalf of the District, does hereby employ the Superintendent, and the Superintendent does hereby accept employment for a twelve-month basis as Superintendent of Schools for the District for a term of five (5) years commencing on April 1, 2023, and ending on March 31, 2028, or the earlier date upon which this Contract is terminated as herein provided. The District may, by action and discretion of the Board, and with the consent and approval of the Superintendent, extend the term of this Contract as permitted by state law.

1.2 **No Tenure.** The Board has not adopted any policy, rule, regulation, law, or practice providing for tenure. No right of tenure is created by this Contract. No property interest, express or implied, is created in continued employment beyond the Contract term.

II. Employment

2.1 **Duties.** The Superintendent is the chief administrator and executive officer of the District and shall faithfully perform the duties of the Superintendent of Schools for the District as prescribed in the job description and as may be lawfully assigned by the Board, and shall administer the District in accordance with all Board directives, policies, rules, and regulations and state and federal law, as they exist or may hereinafter be amended or adopted. As such, the Superintendent shall assign the administrative and supervisory staff in the manner that, in his judgment, best serves the public schools of the District. The responsibility for selection and/or promotion of personnel shall be vested in the Superintendent and his staff, subject to the approval of the Board. Except as provided in this Agreement, the Superintendent agrees to devote his full time and energy to the performance of these duties in a faithful, diligent, conscientious and efficient manner. The Superintendent shall perform the duties of the Superintendent of Schools for the District with reasonable care, skill and expertise and in a thorough, prompt and efficient manner. All duties assigned to the Superintendent by the Board shall be appropriate to and consistent with the professional role and responsibility of the Superintendent. The Superintendent

shall comply with all Board directives, state and federal laws and rules, Board policy, and regulations as they exist and may be hereafter amended.

2.2 **Representations.** The Superintendent makes the following representations:

(a) **Beginning of Contract.** At the beginning of this Contract, and at any time during the Contract, the Superintendent specifically agrees to submit to a review of his national criminal history record information (NCHRI) if required by the District, TEA, or SBEC.

(b) **During Contract.** The Superintendent also agrees that, during the term of this contract, the Superintendent will notify the Board, in writing, of any arrest and of any indictment, conviction, no contest or guilty plea, deferred adjudication, or other adjudication of the Superintendent for any felony, any offense involving moral turpitude and offenses set forth in Board Policy DH (LOCAL). The Superintendent agrees to provide such notification in writing within the period specified in Board Policy.

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

2.3 **Professional Certification.** The Superintendent shall, at all times during the term of this Contract, and any renewal or extension thereof, hold and maintain a valid certificate required of a superintendent by the State of Texas and issued by the State Board for Educator Certification or the Texas Education Agency and any other certificates required by law, and shall provide evidence of such certification to the Board upon request at any time. The Superintendent shall also provide evidence of educational attainment, degrees earned, previous professional experience and other records required for the personnel files of the District. Failure to maintain valid and appropriate certification shall render this Agreement void, and any material misrepresentation by the Superintendent in any records provided to the District shall be grounds for termination.

2.4 **Reassignment.** The Superintendent is employed specifically and solely to perform the duties of Superintendent of Schools for the District and may not be reassigned from the position of Superintendent to another position in the District except by mutual written agreement of the parties.

2.5 **Board Meetings.** The Superintendent shall attend, and shall be permitted to attend, all meetings of the Board, both public and closed, with the exception of those closed meetings devoted to the consideration of any action or lack of action on the Superintendent's Contract, or the Superintendent's evaluation, or for purposes of resolving conflicts between individual Board members, or when the Board is acting in its capacity as a tribunal. In the event of illness or Board-approved absence, the Superintendent's designee shall attend such meetings.

2.6 **Criticisms, Complaints, and Suggestions.** With the exception of those directed at the performance or conduct of the Superintendent, the Board, individually and collectively, shall refer in a timely manner all substantive criticisms, complaints, and suggestions called to the Board's attention either: (a) to the Superintendent for study and/or appropriate action, and the

Superintendent shall refer such matter(s) to the appropriate District employee or shall investigate such matter(s) and shall within a reasonable time inform the Board of the results of such efforts; or, (b) to the appropriate complaint resolution procedure as established by District Board policies.

2.7 Outside Employment. The Superintendent may, without prior written consent of the Board, undertake consulting work, speaking engagements, writing, lecturing, and other professional duties and obligations that do not conflict or interfere with the Superintendent's professional responsibilities to the District. For any such outside employment, the Superintendent agrees to comply with applicable rules, laws, and Board policy regarding reporting potential and actual conflicts of interest. In addition, the Superintendent agrees to provide information regarding income from such activities to the District as necessary for financial reporting requirements.

2.8 INDEMNIFICATION. TO THE EXTENT IT MAY BE PERMITTED TO DO BY APPLICABLE LAW, INCLUDING, BUT NOT LIMITED TO TEXAS CIVIL PRACTICE & REMEDIES CODE CHAPTER 102, THE DISTRICT DOES HEREBY INDEMNIFY, DEFEND, AND HOLD THE SUPERINTENDENT HARMLESS REGARDING ANY CLAIMS, DEMANDS, DUTIES, ACTIONS OR OTHER LEGAL PROCEEDINGS AGAINST THE SUPERINTENDENT, OR DAMAGES INCURRED BY THE SUPERINTENDENT, INCLUDING COURT COSTS AND REASONABLE ATTORNEY'S FEES, IN HIS INDIVIDUAL OR OFFICIAL CAPACITY FOR ANY ACT OR FAILURE TO ACT INVOLVING THE EXERCISE OF JUDGMENT AND DISCRETION WITHIN THE NORMAL COURSE AND SCOPE OF HIS DUTIES AS SUPERINTENDENT OF THE DISTRICT, TO THE EXTENT AND TO THE LIMITS PERMITTED BY LAW. THIS PARAGRAPH DOES NOT APPLY IF THE SUPERINTENDENT IS FOUND TO HAVE ACTED WITH GROSS NEGLIGENCE OR WITH INTENT TO VIOLATE A PERSON'S CLEARLY ESTABLISHED LEGAL RIGHTS, OR TO HAVE ENGAGED IN OFFICIAL MISCONDUCT OR CRIMINAL CONDUCT, NOR DOES IT APPLY TO CRIMINAL INVESTIGATIONS OR PROCEEDINGS. THE DISTRICT MAY, AT ITS DISCRETION, FULFILL ITS OBLIGATION UNDER THIS PARAGRAPH BY PURCHASING APPROPRIATE INSURANCE COVERAGE FOR THE BENEFIT OF THE SUPERINTENDENT OR BY INCLUDING THE SUPERINTENDENT AS A COVERED PARTY UNDER ANY CONTRACT PROVIDING ERRORS AND OMISSIONS INSURANCE COVERAGE PURCHASED FOR THE PROTECTION OF THE BOARD AND THE PROFESSIONAL EMPLOYEES OF THE DISTRICT. THE SELECTION OF SUPERINTENDENT'S LEGAL COUNSEL SHALL BE WITH THE MUTUAL AGREEMENT OF SUPERINTENDENT AND THE DISTRICT IF SUCH LEGAL COUNSEL IS NOT ALSO DISTRICT'S LEGAL COUNSEL. THE BOARD MAY RETAIN ATTORNEYS TO REPRESENT THE SUPERINTENDENT IN ANY PROCEEDING FOR WHICH HE COULD SEEK INDEMNIFICATION UNDER THIS PARAGRAPH, TO THE EXTENT THAT DAMAGES ARE RECOVERABLE OR A DEFENSE IS PROVIDED, UNDER ANY SUCH CONTRACT OF INSURANCE. NO INDIVIDUAL MEMBER OF THE BOARD SHALL BE PERSONALLY LIABLE FOR INDEMNIFYING AND DEFENDING THE SUPERINTENDENT UNDER THIS PARAGRAPH. TO THE EXTENT THIS SECTION 2.8 EXCEEDS THE AUTHORITY PROVIDED AND LIMITATIONS IMPOSED BY TEXAS CIVIL PRACTICE & REMEDIES CODE, CHAPTER 102, IT SHALL BE CONSTRUED AND MODIFIED ACCORDINGLY. INDIVIDUAL MEMBER OF THE BOARD SHALL BE PERSONALLY LIABLE FOR INDEMNIFYING OR DEFENDING THE SUPERINTENDENT UNDER THIS SECTION 2.8. THE DISTRICT'S OBLIGATION UNDER THIS PARAGRAPH SHALL SURVIVE TERMINATION OF THIS AGREEMENT.

III. Compensation

3.1 Salary. The District shall provide the Superintendent with an annual salary in the sum of TWO HUNDRED EIGHTY-FIVE THOUSAND, TWO HUNDRED FIVE AND NO/100

DOLLARS (\$285,205.00). This annual salary rate shall be paid to the Superintendent in equal monthly installments consistent with the Board's policies.

(a) Bonuses. In addition to the annual salary set forth in this Agreement, the District, at the Board's sole discretion, may also, but is not required to, pay the Superintendent discretionary annual performance or retention bonuses. The amount of such discretionary annual bonuses, if any, shall be determined at the Board's sole discretion and shall be based upon such factors as the Board may deem appropriate. If awarded, the discretionary annual bonuses for the performance shall be paid to the Superintendent on or before June 30th of the year in which bonuses are awarded.

3.2 Salary Adjustments. At any time during the term of this Contract, the Board may, in its discretion, review and adjust the salary of the Superintendent, but in no event shall the Superintendent be paid less than the salary set forth in Section 3.1 of this Contract except by mutual agreement of the two parties. Such adjustments, if any, shall be made pursuant to a lawful Board resolution. In such event, the parties agree to provide their best efforts and reasonable cooperation to execute a new contract incorporating the adjusted salary.

3.3 Vacation, Holiday and Personal Leave. The Superintendent may take, at the Superintendent's choice, up to 15 days of vacation annually, with the days to be taken in a single period or at different times. The vacation days taken by the Superintendent will 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. The Superintendent may carry over unused vacation days to succeeding years, however, the total number of accrued vacation days may not exceed fifteen (15) days. Each year on April 1 (or as soon thereafter as practicably possible), at the Superintendent's option, the District will pay the Superintendent for up to fifteen (15) unused accrued vacation days at his current daily rate of pay. At the time the Superintendent leaves employment with the District, the District will pay the Superintendent for up to fifteen (15) unused accrued vacation days at his current daily rate of pay. The Superintendent's daily rate shall be calculated by dividing the Superintendent's then-current salary by 226. In addition to taking his vacation days, the Superintendent shall observe the same legal holidays as provided by Board policies for administrative employees on twelve-month contracts. The Superintendent is hereby granted the same state and local leave benefits as authorized by Board policies for administrative employees on twelve-month contract.

3.4 Insurance. The District shall provide the Superintendent and the Superintendent's family with all insurance and/or other benefits on the same basis as other twelve-month administrative employees of the District.

3.5 Longevity Pay. In order to encourage continuity of leadership in the District, the District wishes to provide additional compensation to the Superintendent for reaching annual longevity. Provided the Superintendent is still actively employed on each milestone date of April 2nd of each year of this Contract, the District shall pay the Superintendent, as additional compensation for longevity, an amount equal to three percent (3%) of the Superintendent's annual salary ("Longevity Pay") as stated in Paragraph 3.1. This Longevity Pay shall be annualized, and paid to the Superintendent by regular payroll installments for twelve months beginning on April 3rd of the year in which the milestone is achieved and shall be reported as "creditable compensation" by

the District for purposes of the Teacher Retirement System of Texas, to the extent permitted by TRS. No payments under this Section shall be made after the Superintendent's employment terminates.

3.6 Professional Growth. The Superintendent shall devote the Superintendent's time, attention, and energy to the direction, administration, and supervision of the District. The Board, however, encourages the continued professional growth of the Superintendent through the Superintendent's active attendance at and participation in appropriate professional meetings at the local, regional, state and national levels. The Board shall encourage the use of data and information sources, and shall encourage the participation of the Superintendent in pertinent education seminars and courses offered by public or private institutions or by educational associations, as well as the participation in informational meetings with those individuals whose particular skills, expertise, or backgrounds would serve to improve the capacity of the Superintendent to perform the Superintendent's professional responsibilities for the District. In its encouragement of the Superintendent to grow professionally, the Board shall permit a reasonable amount of release time for the Superintendent, as the Superintendent and the Board deem appropriate, to attend such seminars, courses or meetings. The District does hereby agree to provide in the District's budget during the term of this Contract for the benefit of the Superintendent, a professional development budget per contract year to be used for registration, travel, meals, lodging, and other related expenses for this purpose, including but not limited to the Superintendent's membership dues to the American Association of School Administrators and the Texas Association of School Administrators, as well as other memberships necessary to maintain and improve the Superintendent's professional skills.

3.7 Civic Activities. The Board encourages the Superintendent to become a member of, and participate in community and civic affairs, including the chamber of commerce, civic clubs, governmental committees, and educational organizations. The Board concludes that such participation will serve a legitimate purpose related to the educational mission of the District. The Superintendent may hold offices or accept responsibilities in these professional organizations, provided that such responsibilities do not interfere with the performance of his duties as Superintendent. Prior to engaging in these activities, the Superintendent will notify the Board in writing of the activity. The Board will notify the Superintendent if the activity presents a conflict or interferes with the performance of his duties as Superintendent. The District shall reimburse the Superintendent for the cost of membership in all local civic organizations in which the Superintendent participates and related travel outside of the District, subject to advance Board approval.

3.8 Expenses. The District shall pay or reimburse the Superintendent for reasonable out-of-district expenses incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract. The District agrees to pay reasonable actual and incidental costs necessarily incurred by the Superintendent for travel outside the District in conducting District business. Such actual or incidental costs shall not exceed State of Texas reimbursement guidelines applicable to employees of the State of Texas, and may include, but are not limited to, gasoline, hotels and accommodations, meals, rental car, and other expenses incurred in the performance of the business of the District. The Superintendent shall comply with all procedures and documentation requirements in accordance with Board policies.

3.9 **Technology.** The District will provide the Superintendent a laptop computer, and necessary computer support. The Superintendent shall be allowed to use such equipment for both District and personal business. The Superintendent will return the equipment outlined herein upon termination of this Contract, as outlined herein.

3.10 **Salary Deferral.** The District shall add to the monthly Salary of the Superintendent the amount needed each month to contribute the monthly pro rata maximum salary reduction contribution permitted by the Internal Revenue Code (the "Code") for a 403(b) and 457(b) plan, including, if applicable, the additional deferral allowed for plan participants who are age 50 or older ("Additional Salary"). Upon execution by the Superintendent of a salary deferral agreement in accordance with the requirements of Sections 403(b) and/or 457(b) of the Code in the amount of the Additional Salary, the Additional Salary shall be paid as a salary deferral contribution ("Salary Deferral Contribution"). Under and pursuant and subject to applicable Internal Revenue Service rules, the Superintendent shall have the option to elect to receive the Additional Salary in cash rather than as a Salary Deferral Contribution and in such event, no Salary Deferral Contribution will be made. All such Salary Deferral Contributions contemplated herein shall be paid to a plan established by the District under Section 403(b) and/or Section 457(b) of the Code. Such plans shall include investments as allowed under Sections 403(b), 403(b)(7) and/or 457(b) of the Code, respectively, and the investments for the Superintendent's accounts shall be solely at his discretion. The Superintendent shall at all times be 100% vested in his account under the 403(b) and/or 457(b) plan. The Salary Deferral Contributions contemplated herein are payments for services rendered by the Superintendent and shall be treated as salary deferrals under the Code and shall be reported as "creditable compensation" by the District for purposes of the Teacher Retirement System of Texas (TRS) to the extent permitted by TRS. No payments under this Section shall be made after the Superintendent's employment terminates.

3.11 **Life Insurance.** The District shall provide the Superintendent with a term life insurance policy in the amount of \$250,000. The District shall pay the premiums for the life insurance policy for the duration of this Agreement. The life insurance policy shall be owned by the District on the life of the Superintendent, but the Superintendent shall have the sole right to determine the beneficiary under the policy.

3.12 **Teacher Retirement System Supplement.** The District does hereby supplement the Superintendent's annual salary continuously through the term of this Contract, in an amount equal to the Superintendent's full portion of the contribution to the Texas Teacher Retirement System (TRS), including the retirement and the TRS-Care parts of the member contribution, as applicable. This additional salary supplement for services rendered as Superintendent shall be paid to the Superintendent by regular monthly payroll installments and shall be reported as "creditable compensation" by the District for purposes of TRS, to the extent permitted by TRS.

IV. Annual Performance Goals

4.1 **Development of Goals.** The Superintendent shall submit to the Board each year, for the Board's consideration and adoption, a preliminary list of goals for the District. The Superintendent and the Board shall then meet, and the Board shall approve or revise the list of goals. The

Superintendent shall submit to the Board for its approval a plan to implement the goals. The Superintendent and the Board shall meet biannually to assess the goals and may adjust or revise the goals either by action of the Board or upon recommendation of the Superintendent and approval of the Board. The goals approved by the Board shall at all times be reduced to writing ("District Goals") and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated. The Board agrees to work with and support the Superintendent in achieving the District Goals.

V. Review of Performance

5.1 **Time and Basis of Evaluation.** The Board shall evaluate and assess in writing the performance of the Superintendent at least once each year during the term of this Contract. The Board's evaluation and assessment of the Superintendent shall be reasonably related to the duties of the Superintendent as outlined in the Superintendent's job description and shall be based on the District's progress towards accomplishing the District Goals.

5.2 **Confidentiality.** Unless the Superintendent expressly requests otherwise in writing, the evaluation of the Superintendent shall at all times be conducted in executive session and shall be considered confidential to the extent permitted by law. Nothing herein shall prohibit the Board or the Superintendent from sharing the content of the Superintendent's evaluation with their respective legal counsel.

5.3 **Evaluation Format and Procedures.** The evaluation format and procedure shall be in accordance with the evaluation instrument selected by the Board in accordance with Article V of this Contract, the Board's policies, and state and federal law. In the event the Board deems that the evaluation instrument, format and/or procedure is to be modified by the Board and such modifications would require new or different performance expectations, such modifications must be adopted with input from the Superintendent and the Superintendent shall be provided a reasonable period of time to demonstrate such expected performance before being evaluated under the modified instrument, format and/or procedure.

VI. Extension or Nonrenewal of Employment Contract

6.1 **Extension/Nonrenewal.** Extension and/or nonrenewal shall be in accordance with Board policy, Texas Education Code Chapter 21, Subchapter E, and applicable law. In the event the Board does not renew this Agreement, the Superintendent shall be afforded all rights set forth in the Board's Policies and state and federal law.

VII. Termination of Employment Contract

7.1 **Mutual Agreement.** This Contract may be terminated by the mutual agreement of the Superintendent and the Board in writing upon such terms and conditions as may be mutually agreed upon.

7.2 **Retirement or Death.** This Contract shall be terminated upon the retirement or death of the Superintendent.

7.3 Dismissal for Good Cause. The Board may dismiss the Superintendent during the term of the Contract for good cause as that term is applied under Texas law. If the Superintendent chooses to engage the services of legal counsel to represent him in any such matter, he shall pay the costs thereof. Examples of the term "good cause" are provided as follows:

- (a) Failure to fulfill duties or responsibilities as set forth under the terms and conditions of this Contract;
- (b) Incompetence or inefficiency in the performance of required or assigned duties as documented by evaluations, supplemental memoranda, or other written communication from the Board; provided, however, the terms and conditions of this paragraph shall not justify good cause unless the Board has provided the Superintendent a reasonable opportunity to remediate any incompetency or inefficiency;
- (c) Insubordination or failure to comply with lawful written Board directives;
- (d) Failure to comply with the Board's policies or the District's administrative regulations;
- (e) Neglect of duties;
- (f) Drunkenness or excessive use of alcoholic beverages;
- (g) Illegal use of drugs, hallucinogens, or other substances regulated by the Texas Controlled Substances Act;
- (h) Conviction of a felony or crime involving moral turpitude;
- (i) Failure to meet the District's standards of professional conduct;
- (j) Failure to comply with reasonable District professional development requirements regarding advanced course work or professional development;
- (k) Disability, not otherwise protected by law, that impairs performance of the required duties of the Superintendent;
- (l) Immorality, which is conduct the Board determines is not in conformity with the accepted moral standards of the community encompassed by the District. Immorality is not confined to sexual matters, but includes conduct inconsistent with rectitude or indicative of corruption, indecency, or depravity;
- (m) Assault on a Board member, employee or student;
- (n) Knowingly falsifying records or documents related to the District's activities;
- (o) Knowingly misrepresenting of facts to the Board or other District officials in the conduct of the District's business;
- (p) Failure to maintain or fulfill requirements for superintendent certification; or
- (q) Any other reason constituting "good cause" under Texas law.

7.4 Resignation of Superintendent. The Superintendent may leave the employment of the District at the end of a school year without penalty by filing a written resignation with the Board.

The resignation must be addressed to the Board and filed not later than the 45th day before the first day of instruction of the following year. The Superintendent may resign with the consent of the Board at any other time.

7.5 **Suspension.** In accordance with Texas Education Code Chapter 21, the Board may suspend the Superintendent without pay during the term of this Contract for good cause as determined by the Board under and pursuant to applicable Texas law.

7.6 **Disability.** Should the Superintendent become unable to perform any or all of the duties of his position by reason of illness, accident or other cause, and said disability exists after all sick leave and vacation time has been exhausted, the Superintendent shall be entitled up to one hundred eighty (180) days of leave of absence for temporary disability. During any time period in which the Superintendent is temporarily disabled, the Board may designate or appoint another employee to perform the Superintendent's duties. If such disability continues after the exhaustion of all sick leave and vacation time and one hundred eighty (180) additional days of temporary disability, or if such disability is permanent or irreparable as determined by the physician mutually acceptable to the Board and the Superintendent, or such disability is of such nature as to make performance of the Superintendent's duties impossible, the Board may, at its option, terminate this Agreement, whereupon the respective rights, duties and obligations herein stated shall terminate.

VIII. Miscellaneous

8.1 **Release of personnel information.** If the Superintendent has not previously requested in writing that the District maintain the confidentiality of certain personnel information pursuant to Section 552.024 of the Texas Government Code, such information may be subject to public access. Superintendent understands and agrees that it is the Superintendent's responsibility to update his preference in writing if at any time he wishes to change his selection or in the event of any change in law. Superintendent understands that regardless of his selection under Section 552.024, the District maintains the right to provide information to the Texas Education Agency in compliance with Texas Education Code §21.006 or 19 T.A.C. §249.14 in the event the Superintendent is a witness to, or the subject of, a District investigation regarding employee misconduct.

8.2 **Controlling Law.** This Contract shall be governed by the laws of the State of Texas and shall be performable in Rockwall County, Texas, unless otherwise provided by law.

8.3 **Entire Agreement.** This Contract constitutes the entire agreement between the parties hereto and cannot be varied except by written agreement of the undersigned parties, except as expressly provided herein. All existing agreements and contracts, both verbal and written, between the parties hereto regarding the employment of the Superintendent for the term covered by this Contract have been superseded by this Contract, and this Contract constitutes the entire agreement between the parties, unless amended pursuant to the terms of this Contract. This Contract shall be deemed drafted equally by all Parties hereto, and any presumption or principle that the language herein is to be construed against either the Board or the Superintendent shall not apply.

8.4 **Conflicts.** In the event of any conflict between the terms, conditions, and provisions of this Contract and the provisions of the Board's policies, or any permissive state or federal law,

then, unless otherwise prohibited by law, the terms of this Contract shall take precedence over the contrary provisions of the Board's policies or any such permissive law during the term of the Contract.

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

8.6 Savings Clause. In the event any one or more of the provisions contained in this Contract shall, for any reason, be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this Contract shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

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

8.8 Notice to Superintendent. The Superintendent agrees to keep a current address on file with the District's human resources office and the Board president. The Superintendent agrees that any notice required or permitted to be delivered hereunder shall be deemed to be delivered, whether or not actually received, when deposited in the United States Mail, postage pre-paid, certified mail, return receipt requested, addressed to either party, as the case may be, at the addresses contained here.

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

8.10 Multiple Originals. This Agreement is executed in two (2) originals, one for the Board and one for the Superintendent, each of which shall constitute but one and the same instrument.

8.11 Acknowledgments. The Board and the Superintendent acknowledge that they have carefully read this Agreement, that they have consulted with their attorneys or representatives prior to executing this Agreement, that they have had an opportunity for review of it by their attorneys or representatives, that they fully understand its final and binding effect, that the only promises made to them to sign this Agreement are those stated above and that they are signing this Agreement voluntarily. The Board and the Superintendent also acknowledge that signatures obtained via e-mail, scan, or facsimile are sufficient to execute this Agreement. The Board and the Superintendent agree that an electronic signature is the legally binding equivalent to a handwritten signature, and has the same validity and meaning as a handwritten signature.

ROCKWALL INDEPENDENT SCHOOL DISTRICT

By: Linda Duran
Linda Duran, President, Board of Trustees

ATTEST:
By: [Signature]
Jim White, Secretary, Board of Trustees

Executed this 24th day of March 2023.

SUPERINTENDENT
By: [Signature]
Dr. John E. Villarreal

Executed this 24th day of March 2023.

Approved by Action of the Rockwall ISD Board of Trustees, March 20, 2023.

Reimbursements Received by the Superintendent and Board Members

For the Twelve-Month Period
Ended June 30, 2022

<u>Description of Reimbursements</u>	John	Stephanie	Stan	Frank	Linda	Amy	Sherry	Jim
	Villarreal	Adams	Britton	Conselman	Duran	Hilton	Packer	White
Meals	\$ -	\$ -	\$ -	\$ -	\$ 85.71	\$ -	\$ 51.46	\$ 282.64
Lodging	\$ 4,308.27	\$ -	\$ 653.67	\$ 487.22	\$ 514.74	\$ 1,176.01	\$ 1,140.33	\$ 559.19
Transportation	\$ 2,187.56	\$ -	\$ 463.95	\$ 597.09	\$ 586.28	\$ 517.96	\$ 517.96	\$ 349.54
Motor Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 6,652.50	\$ 835.00	\$ -	\$ 885.00	\$ 1,060.00	\$ 1,020.00	\$ 1,065.00	\$ 945.00
Total	\$13,148.33	\$ 835.00	\$ 1,117.62	\$ 1,969.31	\$ 2,246.73	\$ 2,713.97	\$ 2,774.75	\$ 2,136.37

All "reimbursements" expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. Items to be reported per category include:

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

Lodging - Hotel charges.

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

Motor fuel - Gasoline.

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

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

For the Twelve-Month Period
Ended June 30, 2022

<u>Name(s) of Entity(ies)</u>	Amount Received
None	0
Total	\$ -

Compensation does not include business revenues generated from a family business (farming, ranching, etc.) that has no relation to school district business.

**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 June 30, 2022

	John	Stephanie	Stan	Frank	Linda	Amy	Sherry	Jim
	Villarreal	Adams	Britton	Conselman	Duran	Hilton	Packer	White
Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$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.

Business Transactions Between School District and Board Members

For the Twelve-Month Period
Ended June 30, 2022

	Stephanie	Stan	Frank	Linda	Amy	Sherry	Jim
	Adams	Britton	Conselman	Duran	Hilton	Packer	White
Amounts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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



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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 fiscal year. For most school districts this is equivalent to the fund balance at the end of the previous fiscal 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



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classification and purpose of expenditure, and must be prepared according to the rules and regulations established by the state board of education. The adopted budget, as necessarily amended, shall be filed with TEA through the Public Education Information Management System (PEIMS) as of the date prescribed by TEA.

Capital Outlay: This term is used as both a Function and an Object. Expenditures for land, buildings, and equipment are covered under Object 6600. The amount spent on acquisitions, construction, or major renovation of school district facilities are reported under Function 80.

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

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

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

Committed Fund Balance: The committed fund balance represents constraints made by the board of trustees for planned future use of financial resources through a resolution by the board, for various specified purposes including commitments of fund balance earned through campus activity fund activities. Commitments are to be made as to purpose prior to the end of the fiscal year. The dollar amount for the commitment may be determined after the end of the fiscal year when final fund balance is known.

Comptroller Certified Property Value: The district’s total taxable property value as certified by the Comptroller’s Property Tax Division (Comptroller Valuation).

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

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

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

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



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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 fiscal year. For most school districts this will be equivalent to the fund balance at the beginning of the next fiscal year.

Excess (Deficiency): Represents receivables due (excess) or owed (deficiency) at the end of the school year. This amount is recorded as Asset Object 1200.

Existing Debt Allotment (EDA): Is the amount of state funds to be allocated to the district for assistance with existing debt.

Federal Revenues: Revenues paid either directly to the district or indirectly through a local or state government entity for Federally-subsidized programs including the School Breakfast Program, National School Lunch Program, and School Health and Related Services Program. This amount is recorded as Revenue Object 5900.

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

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

FTE: Full-Time Equivalent measures the extent to which one individual or student occupies a fulltime 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
- 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.



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

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

Local Tax: This is all revenues from local real and personal property taxes, including recaptured funds from 1) Contracted Instructional Services Between Public Schools (Function 91) and 2) Incremental Costs associated with Chapter 41 of the Texas Education Code (Function 92).

M&O Tax Rate: The tax rate calculated to provide the revenues needed to cover Maintenance & Operations (M&O). M&O includes such things as salaries, utilities, and day-to-day operations.

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

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

Object: An object is the highest level of accounting classification used to identify either the transaction posted or the source to which the associated monies are related. Each object is assigned a code that identifies in which of the following eight major object groupings it belongs:

- 1000 Assets



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- 2000 Liabilities
- 3000 Fund Balances
- 5000 Revenue
- 6000 Expenditures/Expenses
- 7000 Other Resources/Non-Operating Revenue/Residual Equity Transfers In
- 8000 Other Uses/Non-Operating 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
- Rental payments, interest, investment income
- Tuition and Fees
- Sale of food and revenues from athletic and extra/co-curricular activities
- Revenues from counties, municipalities, utility districts, etc.

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

Other Resources: This amount is credited to total actual other resources or non-operating revenues received or residual equity transfers in. This amount is recorded under Object 7020.

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

Payroll: Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school district. This amount is recorded as Expenditure/Expense Object 6100. *(NOTE: Payroll amounts do not include salaries for contract workers, e.g., for food service and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)*

PEIMS: A state-wide data management system for public education information in the State of Texas. One of the basic goals of PEIMS, as adopted by the State Board of Education in 1986, is to improve education practices of local school districts. PEIMS is a major improvement over previous information sources gathered from aggregated data available on paper reports. School districts submit their data via standardized computer files. These are defined in a yearly publication, the [PEIMS Data Standards](#).



GLOSSARY OF TERMS

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

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

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

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

Restricted Fund Balance: This is that 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 the unit 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 cushion is six cents per \$100 of property value, not 8 percent. School districts calculate the rollback rate necessary to generate the same amount of state and local funds per weighted average daily attendance (WADA) as was available to the districts in the preceding school year, using estimated WADA for the upcoming year, plus six cents, plus the current year's debt rate. The rollback rate is the highest rate that the taxing unit may adopt before voters can petition for an election to roll back the adopted rate to the rollback rate. For school districts, no petition is required; it's an automatic election if the adopted rate exceeds the rollback rate.

School Year: The twelve months beginning September 1 of one year and ending August 31 of the following year or beginning July 1 and ending June 30. Districts now have two options.

Special Revenue Fund: A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

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

Unassigned Fund Balances: Available expendable financial resources in a governmental fund that are not the object of tentative management plans (i.e., committed or assigned). One primary criterion of rating agencies for school bonds is the relative amount of unassigned fund balance. Bond rating agencies view unassigned fund balances as a reflection of the financial strength of school districts and show concern when district fund balances decrease.

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



GLOSSARY OF TERMS

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

WADA: A Weighted Average Daily Attendance (WADA) is used to measure the extent students are participating in special programs. The concept of WADA in effect converts all of a school district's students with their different weights to a calculated number of regular students required to raise the same amount of revenue. The greater the number of students eligible for special entitlements, the greater a school district's WADA will be.

Wealth Equalization Transfer: The amount budgeted by districts for the cost of reducing their property wealth to the required equalized wealth level (Function 91). Sometimes referred to as Robin Hood Fund.

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.