



**Annual Financial Management Report  
2009 - 2010**



**Rockwall Independent School District**

# Rockwall Independent School District

## Table of Contents

	<u>Page</u>
Letter from Superintendent	1
Executive Summary	2
2009-2010 District Status	4
How Ratings Are Assessed	8
Disclosures	12
1. Superintendent's Employment Contract	
2. Total Reimbursements Received by the Superintendent and Board	
3. Compensation Received by Superintendent for Consulting Services	
4. Gifts Received by Superintendent and Board Members	
5. Business Transactions Between School District and Board Members	
Financial Solvency Provisions of TEC §39.0822	23
1. 2010-11 First-Quarter General Fund Expenditures	
2. Additional Financial Solvency Questions	
Glossary	



October 17, 2011

To The Citizens of Rockwall Independent School District:

In accordance with Texas Administrative Code Chapter 109, Subchapter AA 109.001, the 2009-2010 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 achievement rating from the Texas Education Agency regarding financial operations. This is the highest rating that can be achieved.

This is the ninth 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 22 criteria, and disclosures, the Financial Solvency Provisions of TEC §39.0822 now require additional data to assist in evaluating a school district's financial solvency. The District has received the superior achievement rating for each of the nine years the FIRST system has been in place. We are pleased with these ratings and will strive to continue to improve the financial operations of the District.

Should you have any questions, please feel free to come by or call my office.

Sincerely,

Jeff Bailey  
Superintendent of Schools

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**Rockwall Independent School District  
Annual Financial Management Report  
2009-2010  
Executive Summary**

**Background Information:**

Senate Bill (SB) 875 of the 76<sup>th</sup> Legislature in 1999 required the development of a proposal for a school financial accountability rating system for school districts. The 77<sup>th</sup> Legislature in 2001 enacted SB 218, which requires the implementation of a financial accountability rating system. 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 one of four financial accountability ratings to Texas school districts, with the highest being “Superior Achievement,” followed by “Above-Standard Achievement,” “Standard Achievement” and “Substandard Achievement.” Districts with serious data quality problems may receive the additional rating of “Suspended – Data Quality.” Districts that receive the “Substandard Achievement” or “Suspended – Data Quality” ratings under Schools FIRST must file a corrective action plan with the Texas Education Agency. The indicators and descriptions are outlined in section II of this report. The four primary levels of ratings are based upon the answers to 22 indicators by each school district and are shown in the chart below:

**Determination Of Rating**

<b>A.</b>	Did The District Answer 'No' To Indicators 1, 2, 3 Or 4? <b>OR</b> Did The District Answer 'No' To Both 5 and 6? If So, The District’s Rating Is <b>Substandard Achievement</b> .	
<b>B.</b>	Determine Rating By Applicable Range For summation of the indicator scores (Indicators 7-24)	
	<b>Superior Achievement</b>	72-80 and Yes to indicator 7
	<b>Above Standard Achievement</b>	64-71 or >= 72 and No to indicator 7
	<b>Standard Achievement</b>	56-63
	<b>Substandard Achievement</b>	<56 or No to one default indicator

**Rockwall Independent School District  
Annual Financial Management Report  
2009-2010  
Executive Summary**

**For 2009-2010 the Rockwall Independent School District received  
a Schools FIRST rating of:**

**SUPERIOR ACHIEVEMENT**

From the financial data submitted for the 2009-2010 fiscal year, the District received 75 out of a possible score of 80. The complete results to the indicators are listed beginning on page 4 of this report and include the 2009-2010 comparative results.

**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 fourteen 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 17, 2011.**



**Financial Integrity Rating System of Texas**

**2009-2010 DISTRICT STATUS**

<b>Name: ROCKWALL ISD (199901)</b>	
<b>Rating: SUPERIOR ACHIEVEMENT</b>	
<b>District Score: 75</b>	<b>Passing Score: 56</b>

#	Indicator Description	2009-2010 Score
1	<b>Was The Total Fund Balance Less Reserved Fund Balance Greater Than Zero In The General Fund?</b>	Yes
2	<b>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)</b>	Yes
3	<b>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</b>	Yes
4	<b>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)?</b>	Yes
5	<b>Was There An Unqualified Opinion in Annual Financial Report?</b>	Yes
6	<b>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</b>	Yes



**Financial Integrity Rating System of Texas**

**2009-2010 DISTRICT STATUS**

#	Indicator Description	2009-2010 Score
7	<b>Did the Districts Academic Rating Exceed Academically Unacceptable?</b>	<b>5</b>
8	<b>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</b>	<b>5</b>
9	<b>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)?</b>	<b>5</b>
10	<b>Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) &lt; \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or &gt; 7%, Or If Property Taxes Collected Per Penny Of Tax Effort &gt; \$200,000 Per Student)</b>	<b>5</b>
11	<b>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</b>	<b>5</b>
12	<b>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</b>	<b>5</b>
13	<b>Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?</b>	<b>5</b>



**Financial Integrity Rating System of Texas**

**2009-2010 DISTRICT STATUS**

#	Indicator Description	2009-2010 Result
14	<b>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)</b>	<b>5</b>
15	<b>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)</b>	<b>5</b>
16	<b>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</b>	<b>5</b>
17	<b>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</b>	<b>5</b>
18	<b>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</b>	<b>5</b>
19	<b>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?</b>	<b>5</b>
20	<b>Was The Decrease In Undesignated Unreserved Fund Balance &lt; 20% Over Two Fiscal Years?(If 1.5 Times Optimum Fund Balance &lt; Total Fund Balance In General Fund Or If Total Revenues &gt; Operating Expenditures In The General Fund, then District Receives 5 Points)</b>	<b>5</b>
21	<b>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</b>	<b>5</b>
22	<b>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) More Than \$20 Per Student?</b>	<b>0</b>





**Financial Integrity Rating System of Texas**

## DETERMINATION OF RATING

<b>A.</b>	Did The District Answer “ <b>No</b> ” To Indicators 1, 2, 3 or 4? <b>Or</b> Did The District Answer “ <b>No</b> ” To Both 5 and 6? If So, The District’s Rating Is <b>Substandard Achievement</b> .	
<b>B.</b>	Determine Rating By Applicable Range For Summation of the Indicator Scores (Indicators 7-22)	
	<b>Superior Achievement</b>	72-80 and YES to indicator 7
	<b>Above Standard Achievement</b>	64-71 or $\geq 72$ and NO to indicator 7
	<b>Standard Achievement</b>	56-63
	<b>Substandard Achievement</b>	$< 56$ or NO to one default indicator

## INDICATOR 17 & 18 RATIOS

<b>Indicator 16</b>	Ranges for Ratios		<b>Indicator 17</b>	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

Bottom of Form



## HOW RATINGS ARE ASSESSED

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?**

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.



## HOW RATINGS ARE ASSESSED

### **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 \$350 per student? (If the district's five-year percent change in students was a 7 percent increase or more, or if property taxes collected per penny of tax**

**effort were more than \$200,000, then the district receives 5 points.)**

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

### **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 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 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



## HOW RATINGS ARE ASSESSED

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

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

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

**15. 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.

**16. 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?

**17. 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 districts 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 17	Ranges for Ratios	
	Low	High
District Size – No. of Students Between		
< 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

**18. 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 districts 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.



## HOW RATINGS ARE ASSESSED

Indicator 18	Ranges for Ratios	
	Low	High
District Size – No. of Students Between		
< 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

**19. 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.

**20. 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.

**21. 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?

**22. 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.



# DISCLOSURES

Per Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, the five (5) 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 2011
2. Reimbursements Received by the Superintendent and Board Members
3. Outside compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2010
4. Gifts Received by the Executive Officer(s) and Board Member(s)
5. Business Transactions between School District and Board Member

**ROCKWALL ISD**  
**SUPERINTENDENT EMPLOYMENT CONTRACT**

This Superintendent 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 JEFF BAILEY (the "Superintendent").

NOW, THEREFORE, the Board and the Superintendent, for and in consideration of the terms hereinafter established and pursuant to Section 11.201, *et seq.*, of the Texas Education Code, do hereby agree as follows:

**I. Term**

**1.1** The Board, by and on behalf of the District, does hereby employ the Superintendent, and the Superintendent does hereby accept employment as Superintendent of Schools for the District for a term of approximately three (3) years, commencing on July 1, 2011, and ending on June 30, 2014. The District may, by action 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** The Board has not adopted any policy, rule, regulation, law, or practice for tenure. No right of tenure is created by this Contract. No property interest, express or implied, is created in continued employment beyond the term of this Contract.

**II. Employment**

**2.1 Duties.** The Superintendent is the chief executive 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 comply with all Board directives, stated and federal law, District policy, rules, and regulations as they exist or may hereafter be amended. Specifically, it shall be the duty of the Superintendent to recommend for employment all professional employees of the District subject to the Board's approval. It shall be the further duty of the Superintendent to employ all other personnel consistent with the Board's policies. It shall be the further duty of the Superintendent to direct, assign, and evaluate all of the employees of the District consistent with Board policies and federal and state law. It shall be the further duty of the Superintendent to organize, reorganize, assign, and reassign the staff of the District, and to develop and establish administrative regulations, rules, and procedures which the Superintendent deems necessary for the efficient and effective operation of the District consistent with the Board's lawful directives, the Board's policies, and stated and federal law. It shall be the further duty of the Superintendent to accept all resignations of employees of the District consistent with the Board's policies, except the Superintendent's resignation, which must be accepted by the Board. The Superintendent agrees to perform the duties of the Superintendent of Schools for the District with reasonable care, diligence, skill and expertise.

**2.2 Professional Certification and Ed.D. Degree.** 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 Texas Education Agency or any applicable stated board and all other certificated required by law. The Superintendent agrees to work diligently to obtain his Ed.D. degree in education administration in a timely manner.

**2.3 Reassignment.** The Superintendent cannot be reassigned from the position of superintendent to another position without the Superintendent's express written consent.

**2.4 Board Meetings.** The Superintendent shall attend all meetings of the Board, both public and closed, with the exception of those closed meetings devoted to: (1) the consideration of any action of lack of action on the Superintendent's Contract; (2) the Superintendent's salary and benefits as set forth in this Contract; (3) the Superintendent's evaluation and interpersonal relationships with individual Board members; or (4) other meetings from which the Superintendent has been excused by the Board.

**2.5 Criticisms, Complaints, and Suggestions.** With the exception of those directed at the performance or conduct of Superintendent, the Board, individually and collectively, shall refer all substantive criticisms, complaints, and suggested called to the Board's attentions to either (a) the Superintendent for study and appropriate action or (b) to the appropriate complaint resolution procedure established by District Board policies. The Superintendent shall refer such matters to the appropriate employee(s) or he shall investigate such matters and inform the Board of the results of such efforts within a reasonable period of time as required under the circumstances.

**2.6 Indemnification.** To the extent permitted by applicable law, the District will defend, hold harmless, and indemnify Superintendent from any and all demands, claims, suits, actions, judgments, expenses and attorneys' fees incurred in any legal proceedings brought against Superintendent in the Superintendent's individual or official capacity as an employee and as Superintendent of the District, providing the incident(s), which is (are) the basis of any such demand, claim, suits, actions, judgments, expenses and attorneys' fees, arose or does arise in the future from an act or omission of Superintendent as an employee of the District, acting within the course and scope of Superintendent's employment with the District; excluding, however, any such demand, claim, suits, actions, judgments, expenses and attorneys' fees for those claims or any causes of action where it is determined that Superintendent committed official misconduct, or committed a willful or wrongful act or omission, or an act or omission constituting gross negligence, or acted in bad faith; and excluding any costs, fees, expenses or damages that would be recoverable or payable under an insurance contract, held either by the District or by Superintendent. 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. A legal defense may be provided through insurance coverage, in which case Superintendent's right to agree to legal counsel provided for him will depend on the terms of the applicable insurance contract. To the extent this Section exceeds the authority provided and limitations imposed by



applicable law, it shall be construed and modified accordingly. The provisions of this Section shall survive the termination of this Contract.

### **III. Compensation and Benefits**

#### **3.1 Salary and Bonus.**

- (a) **Salary.** Commencing on July 1, 2011, the District shall provide the Superintendent with an annual salary of Two Hundred Twenty Two Thousand Five Hundred Dollars (\$222,500.00). This annual salary shall be paid to the Superintendent in equal monthly installments consistent with the Board's policies.
- (b) **Bonuses.** In addition to the annual salary set forth in this Contract, 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 performance shall be paid to the Superintendent on or before June 30<sup>th</sup> 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, not in no event shall the Superintendent be paid less than the salary set forth pursuant to Section 3.1(a) of this Contract. Such adjustments, if any, shall be in the form of a written addendum to this Contract. Notwithstanding the foregoing, the Superintendent's salary may be altered or terminated by the Board under the provisions of Section IX of this Contract.

**3.3 Expense Benefits for Travel Outside of District.** The District shall pay or reimburse the Superintendent for reasonable 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 of the District; such costs 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 and District policies.

**3.4 Automobile Allowance.** The Board shall provide the Superintendent with an automobile allowance in the sum of Six Hundred Dollars (\$600.00) per month, for travel to destinations within the District, which payment is in lieu of mileage expense reimbursement, gasoline, or other vehicle upkeep charges associated with such travel. This allowance shall be paid in addition to the annual survey set forth in Section 3.1 above.

**3.5 Mobile Telephone Allowance.** The District shall provide the Superintendent with a mobile phone allowance in the sum of One Hundred Ten Dollars (\$110.00) per month. With this allowance, the Superintendent shall maintain a mobile

telephone and mobile telephone service. This allowance is in lieu of the District providing the Superintendent with a mobile telephone and mobile telephone service. The Superintendent shall be reasonably available by mobile telephone for District business at all times.

**3.6 Insurance Benefits.** The District shall pay at least the same premiums for hospitalization and major medical insurance coverage for the Superintendent pursuant to the group health care plan provided by the District for its administrative employees.

**3.7 Vacation, Holidays, and Leave Benefits.** The Superintendent may take, at the Superintendent's choice, the same number of days of vacation authorized by policies adopted by the Board for administrative employees on twelve-month contracts, the days to be 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 shall observe the same legal holidays provided by Board policies for administrative employees on twelve-month contracts. The Superintendent is hereby granted the same sick and personal leave benefits as authorized by Board policies for administrative employees on twelve-month contracts.

**3.8 Professional Growth Benefits.** 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 and participation in appropriate professional meetings at the local, regional, state, and national levels. The Board shall encourage the use of the 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 participate 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, not to exceed five days per year, as the Board deems appropriate, to attend such seminars, course(s), or meetings. The District shall bear the reasonable costs and expenses for such attendance or membership.

**3.9 Civic Activities Benefits.** The Superintendent is encouraged to participate in community and civic affairs in accordance with the Board's policies. The expense of such activities, subject to Board approval, shall be borne by the District.

#### **IV. Annual Performance Goals**

**4.1 Development of Goals.** The Superintendent shall submit to the Board by January 31<sup>st</sup> of each year, for the Board's consideration and adoption, a preliminary list of goals for the District. The goals approved by the Board shall at all times be reduced to writing and shall be among the criteria on which the Superintendent's

performance is reviewed and evaluated.

## **V. Review of Performance**

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

**5.2 Confidentiality.** Except as otherwise provided by law, the evaluation of the Superintendent shall at all times be conducted in executive session of the Board and shall be considered confidential. 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 Procedure.** The evaluation format and procedure shall be in accordance with the Board's policies and applicable law.

## **VI. Renewal or Nonrenewal of Employment Contract**

**6.1 Renewal / Non-renewal.** Renewal or non-renewal of this Contract shall be in accordance with Board Policy and applicable 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.** This Board may dismiss the Superintendent during the term of the Contract for good cause. The term "good cause" is defined 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 (the terms and conditions of this paragraph shall not justify good cause unless the Board has provided the Superintendent a reasonable opportunity to remedy any incompetence 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 current 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 more 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) Misrepresentation 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;
- (q) Failure to fulfill the requirements of a deficiency plan under an Emergency Permit; or
- (r) Any other reason constituting "good cause" under Texas Law.

**7.4 Termination Procedure.** In the event that the Board terminates this Contract for "good cause", the Superintendent shall be afforded all the rights as set forth in the Board's policies, and state and federal law.

## VIII. Physical Condition

**8.1 Annual Physical Examination.** The Superintendent shall undergo an annual physical examination performed by a licensed physician of the Superintendent's choice. The physician shall submit a confidential statement to the Board certifying the Superintendent's fitness to perform the Superintendent's duties and copies of all such statements shall be maintained in the Superintendent's personnel file. The District shall pay all accosts of the annual physical examination not covered by the medical insurance.

## IX. Disability

**9.1 Disability Procedure.** Should the Superintendent be unable to perform any or all of the duties of his position, with or without reasonable accommodation, by reason of illness, accident, or other cause, following complete exhaustion of all accrued vacation, sick, and personal leave, the Superintendent shall be placed on unpaid leave from the District upon a determination of disability as hereinafter provided. However, the Board, in its sole discretion, may continue to pay the Superintendent the amount and for a period the Board deems appropriate.

**9.2 Long Term or Permanent Disability.** Long Term or Permanent Disability means a disability which renders the Superintendent incapable of performing any or all of the Superintendent's duties or obligations of employment, with or without reasonable accommodation, for a period which exceeds ninety (90) business days or an incapacity that is permanent.

**9.3 Determination of Disability.** The determination of disability will be made by the Board based on a physical examination performed by an appropriately licensed physician mutually acceptable to the District and the Superintendent. The cost of the physical examination shall be paid by the District.

**9.4 Action of the Board.** In the event that the disability of the Superintendent is a Long Term or Permanent Disability as defined in Section 9.2 of this Contract, the Board may, in its discretion, and upon a determination of disability under Section 9.3 of this Contract, terminate this Contract by providing the Superintendent with written notice of such determination.

## X. Miscellaneous.

**10.1 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.

**10.2 Complete Contract.** This Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement of the 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 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.

**10.3 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.

**10.4 Outside Employment.** Any outside employment of the Superintendent requires Board approval in advance of accepting such employment. The Superintendent may serve as a consultant to other school districts or educational agencies, individuals, or entities other than school districts or educational agencies with prior Board approval. The Superintendent may, at his discretion, lecture, engage in writing activities and speaking engagements, and engage in other activities which are of short term duration.

**10.5 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.

**ROCKWALL INDEPENDENT SCHOOL DISTRICT**

BY:   
Dr. J. David Loftis  
President, Board of Trustees

Date: 6-25-11

ATTEST:  
BY:   
Chris Cuny  
Secretary, Board of Trustees

Date: 6-23-11

  
Jeff Bailey

Date: June 23, 2011

**Reimbursements Received by the Superintendent and Board Members**

For the Ten-Month Period  
Ended July 30, 2010

Description of Reimbursements	Dr. Gene Burton	Craig Zurek	Dr. David Loftis	Doug Hamilton	Chris Cuny	Leigh Plagens	Dr. Stan Lowrance	Russ Childers
Meals	\$ 1,752.62							
Lodging	2,695.64	\$ 192.05	\$ 182.03	\$ 418.78	\$ 184.25	\$ 382.06	\$ 400.06	\$ 200.03
Transportation	1,399.79	314.20					184.70	
Motor Fuel	497.96							
Other	750.00	335.00	275.00	335.00	335.00	335.00	335.00	335.00
<b>Total</b>	<b>\$ 7,096.01</b>	<b>\$ 841.25</b>	<b>\$ 457.03</b>	<b>\$ 753.78</b>	<b>\$ 519.25</b>	<b>\$ 717.06</b>	<b>\$ 919.76</b>	<b>\$ 535.03</b>

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 Ten-Month Period  
Ended July 30, 2010

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

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 Ten-Month Period  
Ended July 30, 2010

	Dr. Gene Burton	Craig Zurek	Dr. David Loftis	Doug Hamilton	Chris Cuny	Leigh Plagens	Dr. Stan Lowrance	Russ Childers
<b>Total</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**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 Ten-Month Period  
Ended July 30, 2010

	Craig Zurek	Dr. David Loftis	Doug Hamilton	Chris Cuny	Leigh Plagens	Dr. Stan Lowrance	Russ Childers
<b>Amounts</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**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.



# Financial Solvency Provisions of TEC §39.0822

GENERAL FUND	
2010-2011 First-Quarter Expenditures	
<u>(July, August, September of 2010-2011)</u>	
Payroll & Benefits	\$15,310,600
Contractual Services	2,036,135
Supplies & Materials	900,011
Other Operating Expenses	635,091
Debt Services	12,985
Capital Outlay	<u>0</u>
<b>Total General Fund 1<sup>st</sup> Quarter Expenditures</b>	<b>\$18,894,822</b>



# Financial Solvency Provisions of TEC §39.0822

## Additional Questions

<p>1. Within the last two years, did the school district draw funds from a short-term financing note (less than 12 months) between the months of July and October, inclusive?</p>	<p><b>NO</b></p>
<p>2. For the prior fiscal year, did the school district have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?</p>	<p><b>NO</b></p>
<p>3. Has the school district declared financial exigency within the past two years?</p>	<p><b>NO</b></p>
<p>4. How many superintendents has your school had in the last five years?</p>	<p><b>TWO</b></p>
<p>5. How many business managers has your school district had in the last five years?</p>	<p><b>ONE</b></p>



## GLOSSARY OF TERMS

### **Academic Excellence Indicator System**

**(AEIS):** The Texas Education Agency pulls together a wide range of information on the performance of students in each school and district in Texas every year. This information is put into the annual AEIS reports, which are available each year in November. The performance indicators include:

- TAAS passing rate by grade, by subject, and by all grades tested;
- End-of-Course examination — participation and results;
- SDAA performance
- Attendance rate for the full year;
- Dropout rate (by year);
- Completion and dropout rates (4-year longitudinal);
- Percent of high school students completing an advanced course;
- Percent of graduates completing the Recommended High School Program;
- AP and IB examination results;
- TAAS / TASP equivalency rate; and
- SAT and ACT examination — participation and results.

**Accountability Rating:** The rating assigned by the Academic Excellence Indicator System (AEIS) to a school district or campus. The three indicators used to determine the accountability rating for a campus or district are their (1) performance on the TAAS reading, mathematics, and writing exams; (2) Dropout Rate; and (3) Attendance Rate. Based on these indicators every campus and district is assigned one of the following: District Ratings: Exemplary, Recognized, Academically Acceptable, Academically Unacceptable, Unacceptable (Special Accreditation Investigation) or Charter. Campus Ratings: Exemplary, Recognized, Acceptable, Low Performing, or Not Rated. Alternative Schools are rated differently.

**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.

**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.



## GLOSSARY OF TERMS

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

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

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

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

**Chapter 41:** A key “equity” chapter in the Texas Education Code (TEC) is Chapter 41. This chapter is devoted to wealth equalization through the mechanism of recapture, the recovery of financial resources from districts defined by the state as high property wealth. Resources are recovered for the purpose of sharing them with low-wealth districts. Districts that are subject to

the provisions of Chapter 41 must make a choice among several options in order to reduce their property wealth and share financial resources.

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

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

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

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

**Designated Fund Balance:** The designated fund balance represents tentative plans for the future use of financial resources. Designations require Board action to earmark fund balance for bona fide purposes that will be fulfilled within a reasonable period of time.

**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.



## GLOSSARY OF TERMS

**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.

**Expenditures:** The cost of goods delivered or services rendered, whether paid or unpaid including expenses, provisions for debt retirement not reported as a liability of the fund from which retired and capital outlays.

**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. 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.



## GLOSSARY OF TERMS

### **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.

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

- 1000 Assets
- 2000 Liabilities
- 3000 Fund Balances
- 5000 Revenue
- 6000 Expenditures/Expenses
- 7000 Other Resources/NonOperating

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

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

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

### **Operating Revenues and Expenses:**

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

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

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

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

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

**Payments for Shared Services Arrangements:** Payments made either from a member district to



## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

**Reserve Fund Balance:** This is that portion of fund equity which is not available for appropriation or has been legally separated for a specific purpose.

**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.



## GLOSSARY OF TERMS

**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.

**Undesignated Fund Balance:** This is that portion of fund equity that is currently available to finance expenditures not already approved by the Board of Trustees.

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

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

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

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

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

