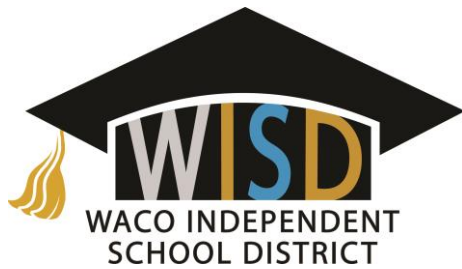




# 2015 Annual Financial Accountability Management Report

For the Year Ending August 31, 2014





# Annual Financial Accountability Management Report

## Contents

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Overview	1
Ratings Worksheet	5
How the Ratings are Assessed	8
Required Disclosures:	
Exhibit A-1: Superintendent’s Current Employment Contract	14
Exhibit A-2: Summary Schedule of Total Reimbursements Received by Superintendent and Each Board Member	22
Exhibit A-3: Compensation and/or Fees Received by Superintendent from Outside Entities for Professional Consulting and/or Other Personal Services	23
Exhibit A-4: Summary Schedule of Total Dollar Amount by Superintendent and Board Members (and First Degree Relatives) of Gifts That Had an Economic Value Exceeding \$250 in the Aggregate	24
Exhibit A-5: Summary Schedule of the Total Dollar Amount by Board Member of Business Transactions with the School District	25
Glossary of Terms	28

School FIRST (Financial Accountability Rating System of Texas) was first developed as the financial accountability system for Texas school districts by the Texas Education Agency in response to Senate Bill 875 of the 76<sup>th</sup> Texas Legislature in 1999. The purpose of the financial accountability rating system is to ensure that school districts will be held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes.

The system will also disclose the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools. An evaluation of the long-term effectiveness of the system should disclose a measurable improvement in the quality of Texas public schools' financial decision-making processes. The importance of the rating system's goal is underscored by the steadily increasing complexity of the State's funding of public schools compounded by the increasing sophistication of the associated accounting system.

In accordance with Texas Education Code (TEC), Chapter 39, Subchapter D, each school district must be assigned a financial accountability rating by the Texas Education Agency (TEA). The specific procedures for determining financial accountability ratings will be established annually by the Commissioner of Education and communicated to all school districts.

As authorized by House Bill 5, Section 49, of the 83<sup>rd</sup> Texas Legislature, Regular Session, the Commissioner and the Texas Education Agency implemented major changes to the School FIRST system. These changes are being phased in over three years beginning with fiscal year 2014.

In this first year under the new system, the previous twenty indicators have been reduced to seven, including four critical indicators, one solvency indicator, and two financial competence indicator. These indicators will increase to fifteen in subsequent years. Financial accountability rating indicators for 2015 are based on fiscal year 2013-2014 financial data.

Indicator Category	Number of Indicators in Rating Year		
	2014-2015	2015-2016	2016-2017
Critical	4	1	2
Solvency	5	7	3
Financial Competence	5	7	3

Critical indicators have been reduced from six to four. An external auditor's report of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal fund, while still an indicator, has been moved from critical to the financial competence category. The prior system included critical indicators for both fund balance and unrestricted net position. The indicator for fund balance has been eliminated, further emphasizing the District's net position.

In addition to a report of material weaknesses, the financial competence category includes an indicator for data quality in reporting through PEIMS. The solvency category currently includes only one indicator relating to a district's administrative cost ratio. Indicators in these categories may receive up to ten points.

The four critical indicators do not receive a point value. They are either validated or not. As in the previous system, failure to pass any of the four critical indicators results an automatic rating of "Substandard Achievement". Districts that do not receive a passing score must file a corrective action plan with the Texas Education Agency.

The other major change involves the actual accountability ratings. In the previous system, districts could be rated with one of five ratings, from Suspended for Data Quality to Superior Achievement. In the new system, there are only two ratings. The highest possible score on the indicators is 30 points. In order to "Pass" a district must score between 16 and 30 points. Any district scoring below 16 points will receive a rating of "Substandard Achievement". The following chart illustrates the scoring criterion for determination of ratings:

Rating	Points
P - Pass	16 through 30
F - Substandard Achievement	0 through 15

The commissioner of education may apply sanctions to a district that is assigned a "Substandard Achievement" rating. Additional sanctions could apply if issues arise relating to data quality. Sanctions could result in the assignment of a financial monitor or master by the Texas Education Agency Accountability Department in accordance with Chapter 39 of the Education Code. Additional sanctions could involve an accreditation investigation that could result in specific requirements for improvements in financial management. A lowered rating status resulting from an investigation would remain in effect until the commissioner acknowledges that significant improvement was being made in financial management problem areas.

In December 2007, TEA Adopted 19 TAC Chapter 97, Planning and Accountability Subchapter EE, Accreditation Status, Standards, and Sanctions. The subchapter defined the accreditation statuses and stated how accreditation statuses would be determined and assigned to school districts. In accordance with these rules, TEA will take into consideration a district's School FIRST rating when assigning an accreditation status.

Additionally, note that a district's final School FIRST rating may impact its special education determination status as issued by the TEA under the requirements of the Individuals with Disabilities Education Act (IDEA).

Sanctions may also be applied as a result of data problems of a sufficient magnitude to raise questions about the validity of measurements used in the financial accountability rating system indicators. The district's rating would be suspended if serious, systemic data quality problems occurred.

The Texas Education Agency posts districts' final reports to the Texas Education Agency's web site. Interested parties are able to print copies of all materials from that source.

On August 20, 2015, the Texas Education Agency posted the district's preliminary School FIRST rating. The School FIRST ratings were based upon an analysis of data reported for the 2013-2014 fiscal year. The Waco ISD passed all the critical indicators and received a score of 28 out of a possible 30 points for the other indicators, losing two points on the District's administrative cost ratio.

Districts were notified of final ratings on October 23, 2015. Upon notification of the district's rating, the rating reports must be distributed by the school district to all the district's taxpayers, in addition to the parents and guardians of students. The districts will also hold public discussions of the ratings.

The board of trustees will publish, or cause to be published, an annual report describing the financial management performance of the district. The report must include the information provided by the Texas Education Agency. The report must include the district's financial management performance under each indicator for both the current and previous years' financial accountability ratings.

Starting with the 2007 calendar year, the financial management report issued at the Schools FIRST hearing must contain certain required disclosures, in accordance with Title 19 Texas Administrative Code, Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System. These disclosures include:

1. a copy of the superintendent's current employment contract;
2. a summary schedule for the fiscal year of expenditures paid on behalf of and/or total reimbursements received by the superintendent and each board member, including transactions resulting from use of the school district's credit card(s) to cover expenses incurred by the superintendent and each board member;
3. a summary schedule for the fiscal year of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services;

4. a summary schedule for the fiscal year of the total dollar amount by the executive officers and board members of gifts that had an aggregate economic value of \$250 or more;
5. a summary schedule for the fiscal year of the dollar amount by board member for the aggregate amount of business transactions with the school district;
6. a summary schedule of the data submitted using the electronic-based program developed under the financial solvency provisions of Texas Education Code, §39.0822; and
7. any other information the local board of trustees determines to be useful.

Within two months after receipt of the final rating, the board of trustees shall hold a hearing for public discussion of the annual financial accountability system report. The board of trustees shall notify property owners and parents and guardians in the district of the hearing. The District published notification, as required, in the Waco Tribune-Herald on November 23 and 30, 2015. The public meeting was held on December 17, 2015.

After receipt of the financial accountability rating system report generated by the Texas Education Agency, the district level decision making committee must hold at least one public meeting annually for the purpose of discussing the financial performance of the district and district performance objectives.

A corrective action plan is to be filed with the TEA by each school district that received a rating of "Substandard Achievement".

If you have any questions about the report or need additional financial information about the District, please contact the Chief Financial Officer, Waco I.S.D., 501 Franklin Avenue, Waco, Texas 76701. A copy of this report is available upon request through the Office of Public Information and may be found on the Financial Transparency page on the district's website.

# The Ratings Worksheet

The following pages contain the 2015 School FIRST rating worksheet detailing the District's performance on each of the seven indicators as published by the Texas Education Agency. The worksheet is followed by an explanation of the indicators and information as to how ratings are assessed.



## Financial Integrity Rating System of Texas

### 2014-2015 RATINGS BASED ON SCHOOL YEAR 2013-2014 DATA

**Name:** WACO ISD(161914)

**Status:** Passed

**Rating:** Pass

**District Score:** 28

**Publication Level 1:** 8/20/2015 11:24:40 AM

**Publication Level 2:** 8/20/2015 11:24:40 AM

**Last Updated:** 8/20/2015 11:24:40 AM

**Passing Score:** 16

#	Indicator Description	Updated	Score
1	<a href="#">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>	4/6/2015 15:05	Yes
2	<a href="#">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.)</a>	4/6/2015 15:05	Yes
3	<a href="#">Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. 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.)</a>	4/6/2015 15:05	Yes
4	<a href="#">Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</a>	7/30/2015 12:27	Yes

			1 Multiplier Sum
5	<a href="#">Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</a>	7/15/2015 12:00	8
6	<a href="#">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?</a>	8/17/2015 17:56	10
7	<a href="#">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.)</a>	4/6/2015 15:05	10
			28 Weighted Sum
			1 Multiplier Sum
			28 Score

### DETERMINATION OF RATING

<b>A</b>	Did The District Answer 'No' To Indicators 1, 2, 3, Or 4? 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 5-7)
	<b>Pass</b> 16-30
	<b>Substandard Achievement</b> <16

## How the Ratings are Assessed

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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 our answers can mean to the Waco Independent School District's 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 the Annual Financial Report filed by the deadline?

*The Annual Financial Report for the fiscal year ended August 31, 2013 was approved by the Board of Trustees on January 22, 2015 and received by the Texas Education Agency on January 23, 2015. The Annual Financial Report for the fiscal year ended August 31, 2013 was approved by the Board of Trustees on January 23, 2014 and received by the Texas Education Agency by January 27, 2014.*

- 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.)**

An auditor's audit opinion is contained within the audit report. Modified opinions are given for two reasons. The first is scope limitation, which means that the auditor doesn't have access to enough information, or to relevant information. The second is in the circumstance that there is a departure from applicable financial reporting framework, which may be the result of either an accident or negligence on the part of the district. The district's goal, therefore, is to receive an "unmodified opinion" on its Annual Financial Report. This is a simple "Yes" or "No" indicator.

*The opinion expressed by our independent auditors on the Annual Financial Report for both the fiscal years ended August 31, 2014 and August 31, 2013 was unmodified.*

- 3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. 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 the district has paid its bills/obligations on bonds issued to pay for school construction, etc.

*Waco ISD had no disclosures concerning default on bonded indebtedness for the fiscal year ended August 31, 2014 or for the previous fiscal year.*

4. Was the total unrestricted net position balance (net of accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero? (If the school district’s change of students in membership over five-years was 10 percent or more, then the school district passes this indicator.)

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.

*At August 31, 2014, Waco ISD had a total unrestricted net asset balance of \$44,327,737 with accretion of interest for capital appreciation bonds of \$1,334,044. At August 31, 2013, the total unrestricted net position was \$36,206,624 with the restated accretion of interest for capital appreciation bonds of \$1,096,955.*

5. Was the school district’s administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)

ADA Size	10	8	6	4	2	0
10,000 and Above	<= 0.0855	> 0.0855 <= 0.1105	> 0.1105 <= 0.1355	> 0.1355 <= 0.1605	> 0.1605 <= 0.1855	> 0.1855
5,000 to 9,999	<= 0.1000	> 0.1000 <= 0.1250	> 0.1250 <= 0.1500	> 0.1500 <= 0.1750	> 0.1750 <= 0.2000	> 0.2000
1,000 to 4,999	<= 0.1151	> 0.1151 <= 0.1401	> 0.1401 <= 0.1651	> 0.1651 <= 0.1901	> 0.1901 <= 0.2151	> 0.2151
500 to 999	<= 0.1311	> 0.1311 <= 0.1561	> 0.1561 <= 0.1811	> 0.1811 <= 0.2061	> 0.2061 <= 0.2311	> 0.2311
Less than 500	<= 0.2404	> 0.2404 <= 0.2654	> 0.2654 <= 0.2904	> 0.2904 <= 0.3154	> 0.3154 <= 0.3404	> 0.3404
Sparse	<= 0.3364	> 0.3364 <= 0.3614	> 0.3614 <= 0.3864	> 0.3864 <= 0.4114	> 0.4114 <= 0.4364	> 0.4364

TEA and state law sets a standard on the percentage of the budget that Texas school districts can spend on administration. Where did we fall in relationship to that standard for districts of our size?

*The District’s Administrative Cost Ratio was computed at 10.8 percent for the fiscal year ended August 31, 2014 compared to 9.7 percent for the prior year. The rate falls between 8.55 and 11.05 percent, garnering eight points for this indicator.*

6. 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 the 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 more than three percent, the district “fails” this measure.

*The comparison of the District’s PEIMS data to like information in the Annual financial Report resulted in a variance of 0.00000167 for the fiscal year ended August 31, 2014 compared to a variance of 0.00000117 in the previous year.*

7. 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.)

The independent auditor's reports include both a report on internal controls over financial reporting and a report in regards to compliance for local, state, and federal funds. Weaknesses in Internal controls create a risk of the district not being able to properly account for its use of public funds, and should be immediately addressed. Likewise, disclosure of noncompliance means that the school district failed to comply with laws, rules, and regulations for a government entity.

*The Annual financial Report for fiscal years ended August 31, 2014 and August 31, 2013 disclosed no material weaknesses in internal controls over financial reporting or compliance for local, state, or federal funds.*

The school district is to provide a copy of the superintendent's employment contract that is effective on the date of the Schools FIRST hearing. In lieu of publication in the Schools FIRST financial management report, the school district may chose to publish the superintendent's employment contract on the school district's Internet site. **If published on the Internet**, the contract is to remain accessible for twelve months.

**WACO INDEPENDENT SCHOOL DISTRICT**

**Superintendent's Contract**

**I. Term**

IT IS HEREBY AGREED by and between the Board of Trustees (hereinafter called "Board") of the WACO INDEPENDENT SCHOOL DISTRICT (hereinafter called "District"), and DR. BONNY CAIN (hereinafter called the "Superintendent"), that the Board in accordance with its action as found in the minutes of its meeting on August 2, 2014 does hereby employ Dr. Bonny Cain as Superintendent of Schools from July 1, 2014 through June 30, 2018. Both parties agree that the Superintendent will perform the duties of Superintendent of Schools in and for the public schools of the District as prescribed by the laws of the State of Texas and by the policies, rules and regulations made thereunder by the Board of the District.

The Board and Superintendent may agree to extend or renew (whichever is appropriate), this Contract on an annual basis.

The Board has not adopted any policy, rule, regulation, law or practice providing for tenure. No right of tenure, contractual obligations, expectancy of continued employment, or claim of entitlement is created beyond the Contract term. Extension, Renewal, Nonrenewal or termination of this Contract shall be in accordance with and pursuant to the terms and conditions of this Contract, Board Policy and applicable federal or state law.

**II. Employment**

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 Board Policies, the job description and as may be assigned by the Board, and shall comply with all Board directives, state and federal law, District policy, rules, and regulations as they exist or may hereafter be amended. It shall be the further duty of the Superintendent to direct, assign,

1009-001\Superintendent\Cain Contract 2014

reassign, 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, and arrange 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 policies, and state 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 shall perform the duties of the Superintendent of Schools for the District with reasonable care, diligence, skill and expertise.

The Board will endeavor to refer all substantive criticisms, complaints and suggestions called to the Board's attention to the Superintendent for study and appropriate action, and the Superintendent or her designee shall investigate such matters and inform the Board of the results of such efforts.

The Superintendent, as directed by the Board, will furnish throughout the term of this Contract a valid and appropriate certificate to act as Superintendent of Schools in the State of Texas.

The Superintendent hereby agrees to devote her time, skill, labor and attention to said employment during the terms of this Contract.

The Board will have exclusive jurisdiction in determining policies for the direction and operation of the school system, and the Superintendent agrees to carry such policies into execution.

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

### **III. Compensation**

Superintendent, for performing faithfully the duties of Superintendent of Schools received an initial annual salary of \$190,000.00 upon commencement of her employment with the District. This salary was increased to \$203,728.26 for the 2013-2014 school term. Her annual salary will be paid in equal installments in accordance with the policy of the Board governing payment of other professional staff members in the District. For each year following the 2013-2014 school term, the Superintendent's salary will be set at the time of the adoption of the annual budget beginning with the adoption of the budget for the 2014-2015 school term. Unless the Superintendent and the District agree otherwise, the Superintendent shall receive an increase in pay each year beginning with the 2014-2015 school term in an amount equal to the average increase in the District's salary scale for classroom teachers less 2/10 of a percent. (For example, if the average increase in the teacher's salary scale is 2.5%, the Superintendent's salary increase shall be 2.3%.) It is agreed that the amount of the Superintendent's salary will not be reduced from the preceding year's salary.

The District will provide the Superintendent with an automobile allowance in the amount of \$500.00 per month for transportation within Region XII ECS. The Superintendent is authorized to designate all or any part of this automobile allowance as salary. The District will provide the Superintendent with a cell phone allowance in the amount of \$50.00 per month. The District will pay or reimburse the Superintendent for reasonable expenses, including out-of-Region XII ECS transportation, directly incurred by her in the performance of her duties under this contract or will provide a credit card for her expenses. The Superintendent shall comply with all District Policies and procedures for documenting reimbursable expenses. This is a 12 month per year contract. The Superintendent will be entitled to all usual school holidays throughout the year plus an

1009-001\Superintendent\Cain Contract 2014

additional ten days of paid vacation to be used at her discretion. Unused vacation days will be carried over for future use or for payment upon separation from the District. However, the Superintendent may not carry over more than ten days for future use or for payment upon separation from the District. The Superintendent will be entitled to any and all benefits, including health insurance premiums, as all other employees of the School District. The Superintendent will be entitled to sick leave in accordance with state law and Board Policies as they presently exist or as they may be amended in the future in the same amount and under the same circumstances as other District professional personnel. Additionally, if the Superintendent should be unable to perform all or any of her duties by reason of illness, accident or other cause beyond her control, if said disability exists for a period longer than the accumulated sick leave to which she is entitled under Board policy, the Board may then in its discretion continue to pay the Superintendent for an additional period not longer than sixty (60) working days either at full or reduced salary, and if such disability continues beyond this additional period, or if said disability is permanent, irreparable or of such nature as to prevent proper performance of her duties, the Board may, at its option, terminate this Contract whereupon the respective duties, rights and obligations hereof will terminate.

#### **IV. Review of Performance**

In January of each year, or as soon thereafter as practicable, but no later than February 15, the Board will devote a meeting or meetings to a mid-year review of the Superintendent's performance (with the Superintendent present). In August of each year, the Board will devote a meeting or meetings to an evaluation of the Superintendent's performance (with the Superintendent present). The Superintendent's annual evaluation will be in accordance with State Law, rules of the Commissioner and Board Policies. At each such meeting(s), the Board in consultation with the Superintendent will establish

specific goals or other objective criteria upon which, along with criteria set forth in Board Policies, the Superintendent will be evaluated for the following twelve (12) months. 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. The Superintendent's evaluation shall be reduced to writing. The Board shall furnish the Superintendent with a copy of the written evaluation and shall discuss its contents with the Superintendent in executive session. Nothing herein shall prohibit the Board or the Superintendent from sharing the content of the Superintendent's evaluation with their respective legal counsel.

#### **V. Professional Legal Liability**

The Board agrees to indemnify and hold the Superintendent harmless from any and all claims, actions, causes of action or judgments brought against her or recovered against her by third parties, including, but not limited to, court costs and attorney's fees incurred by the Superintendent or awarded against her, arising from the performance of her duties as Superintendent and this Contract to the fullest extent permitted by law and the policies of the Board. The Board may provide a policy of liability insurance to protect the Superintendent in this regard. In entering into this Contract, the Board and the Superintendent do not waive or modify any defense, immunity or jurisdictional bar available to the Board and the Superintendent. No policy of insurance providing coverage to the Superintendent is modified or changed by this Contract.

#### **VI. Termination of Employment**

The Board may dismiss the Superintendent during the term of this 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 subparagraph (b) shall not justify good cause unless the Board has provided the Superintendent reasonable opportunity to remediate any incompetence or inefficiency.);

- (c) Insubordination or failure to comply with lawful written Board directives;
- (d) Failure to comply with 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) Failure to put forth a reasonable effort to achieve a good rapport with parents, the community, staff, or the Board; however, failure to accomplish a good rapport under the terms and conditions of this paragraph shall be deemed not to be good cause when said good rapport is not achieved due to no fault of the Superintendent;
- (n) Assault on an employee or student;
- (o) Knowingly falsifying records or documents related to the District's activities;
- (p) Conscious misrepresentation of facts to the Board or other District officials in the conduct of the District's business;
- (q) Failure to fulfill requirements for superintendent certification;
- (r) Failure to fulfill the requirements of a deficiency plan under an Emergency Permit; or,

(s) Any other reason constituting "good cause" under Texas law.

**VII. Miscellaneous**

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. Upon the effective date of this Agreement, July 1, 2014, all existing agreements and contracts, both verbal and written, between the parties hereto regarding the employment of the Superintendent will be superseded by this Contract, and this Contract constitutes the entire agreement between the parties unless amended pursuant to the terms of this Contract.

The Superintendent will fulfill all aspects of this Contract, any exception thereto being by mutual consent of the Board and the Superintendent. Any extensions or amendments of this Contract will be in writing signed by both parties.

DATED this 25<sup>th</sup> day of August, 2014.

ATTEST:

WACO INDEPENDENT SCHOOL DISTRICT

  
Norman Manning, Secretary  
Board of Trustees

  
Pat Atkins, President  
Board of Trustees

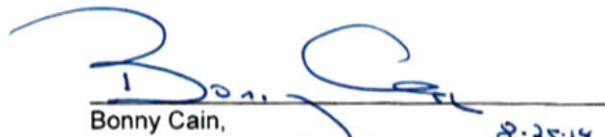
  
Bonny Cain,  
Superintendent of Schools  
Waco Independent School District 8-25-14

Exhibit A-2

Summary Schedule of Total Reimbursements Received by Superintendent  
and Each Board Member

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**Waco ISD Superintendent and Board Member Reimbursements  
For the Twelve-Month Period Ended August 31, 2014**

Description of Reimbursements	Meals	Lodging	Transportation	Motor Fuel	Other	Total
Superintendent:						
Dr. Bonny Cain	\$ 160.00	\$ 1,934.11	\$ 428.03	\$ -	\$ 7,397.91	\$ 9,920.05
Board Members:						
Pat Atkins	279.00	206.99	156.80	-	-	642.79
Cary DuPuy	154.00	206.99	-	-	-	360.99
Norman Manning	279.00	206.99	156.80	-	323.91	966.70
Colbert Murphy	74.00	362.02	103.04	-	290.00	829.06
Larry Perez	383.00	888.73	675.29	-	323.91	2,270.93
Allen Sykes	279.00	206.99	156.80	-	323.91	966.70
Angela Tekell	279.00	369.30	109.40	-	-	757.70
Alex Williams	279.00	206.99	106.80	-	323.91	916.70

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.

Exhibit A-3

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

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For the Twelve-Month Period Ended August 31, 2014

Name(s) of Entity(ies)	Amount Received
None	\$ -

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

Exhibit A-4

Summary Schedule of Total Dollar Amount of Superintendent and Board  
Members (and First Degree Relatives) of Gifts That Had an Economic Value  
Exceeding \$250 in the Aggregate

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For the Twelve-Month Period Ended August 31, 2014

	Total
Superintendent:	
Dr. Bonny Cain	\$ -
Board Members:	
Pat Atkins	-
Cary DuPuy	-
Norman Manning	-
Colbert Murphy	-
Larry Perez	-
Allen Sykes	-
Angela Tekell	-
Alex Williams	-

*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.*

Exhibit A-5

Summary Schedule of the Total Dollar Amount by Board Member of  
Business Transactions with the School District

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For the Twelve-Month Period Ended August 31, 2014

	Total
Superintendent:	
Dr. Bonny Cain	\$ -
Board Members:	
Pat Atkins	52,550.42 *
Cary DuPuy	10,952.83
Norman Manning	-
Larry Perez	-
Allen Sykes	74,501.73 *
Angela Tekell	-
Alex Williams	-

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

*\* Amounts shown are applicable to salaries and benefits for board member's spouse.*

**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:** This is 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 (as appropriate)

**Assessed Valuation:** This is 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. The Texas Education Agency (TEA) is charged with review of the independent audit of the local education agencies.

**Beginning Fund Balance:** The General Fund balance on the first day of a new school year. This is, typically, equivalent to the fund balance at the end of the previous school year.

**Budget:** The projected financial data for the current school year. Budget data are collected for the general fund, food service fund, and debt service fund.

**Budgeting:** Not later than August 20<sup>th</sup> 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 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 81. Capitalization thresholds are generally established by district policy.

**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 code series 6500 covers all expenditures for debt service.

**Deferred Inflow of Resources:** An acquisition of net position by the government that is applicable to a future reporting period.

**Deferred Outflow of Resources:** A consumption of net position by the government that is applicable to a future reporting period.

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

**Ending Fund Balance:** The ending fund balance is the amount of unencumbered surplus fund balance reported by the district at the end of the specified school year. For most school districts this will be equivalent to the fund balance at the beginning of the next school year.

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

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

**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 twelve 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. The fund balance may be further delineated as required into the following components: Nonspendable, Restricted, Committed, or Assigned with the remaining balance identified as the Unassigned Fund Balance.

**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). Debt Service 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.

**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:** A qualified opinion is a 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.

**Net Investment in Capital Assets:** One of three components of net position that must be reported in both government-wide and proprietary fund financial statements. Net of 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.

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

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

- 1000 Assets
- 2000 Liabilities
- 3000 Fund Balances
- 5000 Revenue
- 6000 Expenditures/Expenses
- 7000 Other Resources/Non-Operating Revenue/Residual Equity Transfers In
- 8000 Other Uses/Non-Operating Revenue/Residual Equity Transfers Out

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

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

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

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

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

**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. 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 (Average Daily Attendance).

**Property / WADA:** The district's Comptroller Certified Property Value divided by its total WADA (Weighted Average Daily Attendance).

**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.

**Rollback Tax Rate:** Provides governments other than school districts with approximately the same amount of tax revenue it spent the previous year for day-to-day operations plus an extra 8 percent cushion, and sufficient funds to pay its debts in the coming year. For school districts, the M&O portion of the rollback tax rate allows school districts to add four cents (\$0.04) to the lesser of the prior tax year compressed operating tax rate or the effective M&O rate to generate operating funds. School districts will get to add to the compressed operating rate any additional cents approved by voters at a 2006 or subsequent rollback election, not 8 percent. The rollback rate is the highest rate that the taxing unit may adopt before voters can petition for an election to roll back the adopted rate to the rollback rate. For school districts, no petition is required; it's an automatic election if the adopted rate exceeds the rollback rate.

**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 Balance:** 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.

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

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

**Unrestricted Net Position:** 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 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). These funds are sometimes referred to as 'Robin Hood Funds'.

**DISCLAIMER ON GLOSSARY:**

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.