WACO INDEPENDENT SCHOOL DISTRICT

2012 Annual Financial Accountability Management Report

For the Year Ending August 31, 2011





Annual Financial Accountability Management Report

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Overview

This is the tenth year of School FIRST (Financial Accountability Rating System of Texas), a financial accountability system for Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999.

The 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 stated 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.

The School 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 School FIRST must file a corrective action plan with the Texas Education Agency. The following chart illustrates the scoring criterion for determination of ratings:

Rating	Points
Superior Achievement	64-70
Above Standard Achievement	58-63
Standard Achievement	52-57
Substandard Achievement	<52 or No to one default indicator
Suspended – Data Quality	

Beginning with the 2010-11 fiscal year, the financial accountability rating of a school district is based on its overall performance on certain financial measurements, ratios, and other indicators established by the commissioner of education. Districts' ratings are based upon the districts' numerical scores on 20 indicators. Two indicators, previously measured, have been eliminated. The first, "Did the District's Academic Rating Exceed Academically Unacceptable?" kept Waco ISD from achieving Superior Achievement for the 2008-09 fiscal year.

The second indicator eliminated for 2010-11 asked "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?" This schedule is no longer required so the indicator was eliminated.

Failure to meet the criteria for any one of four default indicators (i.e., total fund balance less reserved fund balance greater than zero in the General Fund; total unrestricted net asset balance in the governmental activities column in the statement of net assets greater than zero; no disclosures in the annual financial report and / or other sources of information concerning default on bonded indebtedness obligations; or no evidence of filing the annual financial report more than one month late), or failure to meet the criteria of both of the two other default indicators (i.e., no evidence of a qualified opinion to the annual financial report and no evidence of material weaknesses in internal controls) will result in an automatic rating of "Substandard Achievement."

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. If not resolved by an investigation of data quality issues, an actual rating of "Suspended – Data Quality" may be assigned.

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

On September 20, 2012 the Texas Education Agency posted the District's final 2012 School FIRST rating. The School FIRST ratings were based upon an analysis of staff and student data reported for the 2010-2011 school year, and budgetary and actual financial data for the 2011 fiscal year (the fiscal period ended August 31, 2011).

For 2010-2011 Waco Independent School District received a rating of "Superior Achievement"

The district received a score of 70 out of a possible 70. Last year, the District lost points on the final indicator which measured investment earnings.

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. This year's 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; and
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 October 18, 2011 and October 25, 2012. The public meeting was held on November 15, 2012.

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" or "Suspended – Data Quality."

If you have any questions about the report or need additional financial information about the District, please contact the Assistant Superintendent of Business and Support Services, 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.

The following pages contain the 2010-11 School FIRST rating worksheet detailing the District's performance on each of the twenty-two 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

2010-2011 DISTRICT STATUS DETAIL

Name: WACO ISD(161914)	**Publication Level 1:** 6/28/2012 12:33:14 PM
Status: Passed	**Publication Level 2:** 9/20/2012 3:18:39 PM
Rating: Superior Achievement	**Last Updated:** 9/20/2012 3:18:39 PM
District Score: 70	**Passing Score:** 52

#	Indicator Description	Score
1	Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?	Yes
2	Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)	Yes
3	Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?	Yes
4	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)?	Yes
5	Was There An Unqualified Opinion in Annual Financial Report?	Yes

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

16	Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?	5
17	Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?	5
18	Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If Total Revenues > Operating Expenditures In The General Fund, Then District Receives 5 Points)	5
19	Was The Aggregate Total Of Cash And Investments In The General Fund More Than $0?	5
20	Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?	5
		70 Weighted Sum
		1 Multiplier Sum
		70 Score

DETERMINATION OF RATING

A.	Did The District Answer '**No**' To Indicators 1, 2, 3 Or 4? **OR** Did The District Answer '**No**' To Both 5 and 6? If So, The District's Rating Is **Substandard Achievement**.	
B.	Determine Rating By Applicable Range For summation of the indicator scores (Indicators 7-20)	
	Superior Achievement	64-70
	Above Standard Achievement	58-63
	Standard Achievement	52-57
	Substandard Achievement	<52

INDICATOR 17 & 18 RATIOS

Indicator 17	Ranges for Ratios		**Indicator 18**	Ranges for Ratios	
District Size - Number of Students Between	Low	High	District Size - Number of Students Between	Low	High
< 500	7	22	< 500	5	14
500-999	10	22	500-999	5.8	14
1000-4999	11.5	22	1000-4999	6.3	14
5000-9999	13	22	5000-9999	6.8	14
=> 10000	13.5	22	=> 10000	7.0	14

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 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 the district has a positive amount of fund balance cash (savings) that is not designated or "reserved" for a specific purpose. In other words, "Does the district have funds set aside for a rainy day?"

   At August 31, 2011, Waco ISD had an ending unreserved fund balance of $30,363,618 as compared to $27,772,634 for the previous year.

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.

   At August 31, 2011, Waco ISD had a total unrestricted net asset balance of $32,765,298 with accretion of interest for capital appreciation bonds of $822,965. At August 31, 2010, the total unrestricted net asset balance was $31,255,981 with accretion of interest for capital appreciation bonds of $754,663.

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

   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, 2011 or for the previous fiscal year.

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 the Annual Financial Report filed by the deadline?

   The Annual Financial Report for the fiscal year ended August 31, 2011 was approved by the Board of Trustees on January 26, 2012 and received by the Texas Education Agency on January 27, 2012. The Annual Financial Report for the fiscal year ended August 31, 2010 was approved by the Board of Trustees on January 20, 2011 and received by the Texas Education Agency by January 28, 2011.

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

   A "qualification" on the financial report means that we need to correct some of our reporting or financial controls. The district's goal, therefore, is to receive an "unqualified 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, 2011 and August 31, 2010 was unqualified.

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

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

   The Annual financial Report for fiscal years ended August 31, 2011 and August 31, 2010 disclosed no material weaknesses in internal control.

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

   This indicator measures the district's success in collecting the taxes owed to us by the community's businesses and homeowners, placing a 98 percent minimum collections standard. We must collect 98 percent or more of your taxes, including any delinquent taxes owed from past years.

   The District collected 98.17 percent of its tax levy for the fiscal year ended August 31, 2011 and 98.39 percent of its tax levy for the previous fiscal year.

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

   This indicator measures the quality of data reported to PEIMS and in 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 0.00000121 for the fiscal year ended August 31, 2011 compared to a variance of 0.00000000133 in the previous year.

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

While the District spent $836.3512 per student on debt-related expenditures for the fiscal year ended August 31, 2011 and the five-year percent change in students was a negative 0.0106%, property taxes collected per penny of tax effort were $378,454.3176, exceeding $200,000 per penny, therefore the district received the full five points. Debt-related expenditures were $842.2785 per student in 2009-10.

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

    NO disclosure means the Annual Financial Report includes no disclosure indicating 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, 2011 and 2010 disclosed no material non-compliance with laws, rules or regulations.

11. **Did the district have full accreditation status in relation to financial management practices? (e.g. no master or monitor assigned)**

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

    Circumstances did not necessitate the assignment of either a master or monitor to the District for either fiscal year.

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

    Did you overspend the budget? The district will receive a negative rating on this measure if the total expenditures and other uses for the fiscal year exceeded the total funds available.

    Budgeted General Fund revenues, other resources and fund balance exceeded total expenditures and other uses by $26.8 million for the fiscal year ended August 31, 2011 and by $26.3 million for the fiscal year ended August 31, 2010.

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

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

    The District's aggregate fund balance in the General Fund and Capital Projects Fund exceeded $58.5 million for the 2011 fiscal year and $108.0 for the 2010 fiscal year. Expenditures for capital projects did not exceed funds available for that purpose in either year.

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

This indicator measures whether or not the district has sufficient cash and investments to balance Fund Balance monies such as TEA overpayments (deferred revenues). In other words, the 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 we 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.

Property taxes receivable net of uncollectible taxes in the General Fund exceeded total deferred revenues by $75,122 at August 31, 2011 so the District automatically received five points. Property taxes receivable net of uncollectible taxes exceeded total deferred revenues by $128,635 at August 31, 2010.

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

TEA and state law sets a cap on the percentage of the budget that Texas school districts can spend on administration. Did we exceed the cap for districts of our size?

The District's Administrative Cost Ratio was computed at 8.05 percent for the fiscal year ended August 31, 2011 compared to 7.95 percent for the prior year. This was less than the Acceptable Administrative Cost Ratio of 11.05 percent for district's of comparable size.

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

Indicator 16	Ranges for Ratios	
District Size – Number of Students Between	Low	High
<500	7.0	22.0
500 – 999	10.0	22.0
1,000 – 4,999	11.5	22.0
5,000 – 9.999	13.0	22.0
>= 10,000	13.5	22.0

This indicator measures the pupil-teacher ratio to ensure that it is within TEA recommended ranges for districts of our student population range. For example, districts (like WISD) with a student population over 10,000 should have no more than 22 students per teacher and no fewer than 13.5 students per teacher. A district earns up to five points under this indicator based upon its performance.

The student-teacher ratio for Waco ISD for the 2010-11 school year was 14.1466:1 compared to 14.2168:1 for 2009-10. Although on the low side, the ratio is within the acceptable range for districts with student populations in excess of 10,000.

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

Indicator 17	Ranges for Ratios	
District Size – Number of Students Between	Low	High
<500	5.0	14.0
500 – 999	5.8	14.0
1,000 – 4,999	6.3	14.0
5,000 – 9,999	6.8	14.0
>= 10,000	7.0	14.0

This indicator measures the pupil-staff ratio to ensure that it is within TEA-recommended ranges for districts of our student population range. For example, districts (like WISD) with a student population over 10,000 should have no more than 14 students per staff member and no fewer than 7.0 students per district employee. A district earns up to five points under this indicator based upon its relative performance.

The student-staff ratio for Waco ISD for the 2010-11 school year was 7.1662:1 compared to 7.0705:1 for the prior year. Again, while the ratio is on the low side, it is within the acceptable range for districts with student populations in excess of 10,000.

18. **Was the decrease in Undesignated Unreserved (now Unassigned) Fund Balance less than 20 percent over two Fiscal years? (If Total Revenues is greater than Operating Expenditures in the General Fund, then the district receives five points)**

Are we "feeding off of our Fund Balance" to pay for salaries or other district operating expenses? This indicator notes rapid decreases in our 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.

The Undesignated, Unreserved Fund Balance in the General Fund increased from $24,886,922 to $27,424,965 over the past two years. This represents a 10.2 percent increase.

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

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

The District's cash, cash equivalents and investments in the General Fund at August 31, 2011 totaled $28,694,141 compared to $27,387,936 in the prior year.

20. **Did investment earnings in all funds (excluding Debt Service Fund and Capital Projects Fund) meet or exceed the three-month Treasury Bill rate?**

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

Investment earnings for the fiscal year ended August 31, 2011 were $6.8216 per student compared to $6.8216 per student for the fiscal year ended August 31, 2010, a decrease of $18.5358 from last year. This is below the acceptable amount of $20 per student and scores zero points.

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 calendar year 2012. 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 March 29, 2012 does hereby employ Dr. Bonny Cain as Superintendent of Schools from March 29, 2012 through June 30, 2016. 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, 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 shall receive an initial annual salary of $190,000.00. This 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 2011-2012 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 2012-2013 school term. Unless the Superintendent and the District agree otherwise, the Superintendent shall receive an increase in pay each year beginning with the 2012-2013 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 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 an evaluation of the Superintendent's performance (with the Superintendent present). 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, March 29, 2012, 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 29th day of March, 2012.

ATTEST: WACO INDEPENDENT SCHOOL DISTRICT

Angela Tekell, Secretary
Board of Trustees

Pat Atkins, President
Board of Trustees

Bonny Cain,
Superintendent of Schools
Waco Independent School District

Exhibit A-2

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

Waco ISD Superintendent and Board Member Reimbursements
For the Twelve-Month Period Ended August 31, 2011

Description of Reimbursements	Meals	Lodging	Transportation	Motor Fuel	Other	Total
Superintendent:						
Dr. Bonny Cain	$ 79.94	-	800.05	-	3,101.59	$ 3,981.58
Sheryl Davis, Interim	$ -	389.68	-	-	490.00	$ 879.68
Board Members:						
Pat Atkins	$ 206.21	370.84	406.35	-	295.00	$ 1,278.40
Cary DuPuy	$ -	-	-	-	-	$ -
Norman Manning	$ 63.00	408.52	186.05	-	295.00	$ 952.57
Larry Perez	$ 72.00	122.00	201.40	-	285.00	$ 680.40
David Schleicher	$ 63.00	389.68	186.05	-	295.00	$ 933.73
Allen Sykes	$ 89.82	389.68	187.05	-	295.00	$ 961.55
Angela Tekell	$ 63.00	316.95	186.05	-	295.00	$ 861.00
Alex Williams	$ 63.00	387.95	186.05	-	295.00	$ 932.00

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

For the Twelve-Month Period Ended August 31, 2011

Name(s) of Entity(ies)	Amount Received
None	$0
Total	$0

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 by Superintendent and Board Members (and First Degree Relatives) of Gifts That Had an Economic Value Exceeding $250 in the Aggregate

For the Twelve-Month Period Ended August 31, 2011

	Total
Superintendent:	
Dr. Bonny Cain	$0.00
Sheryl Davis, Interim	$0.00
Board Members:	
Pat Atkins	$0.00
Cary DuPuy	$0.00
Norman Manning	$0.00
Larry Perez	$0.00
David Schleicher	$0.00
Allen Sykes	$0.00
Angela Tekell	$0.00
Alex Williams	$0.00

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

Exhibit A-5
Summary Schedule of the Total Dollar Amount by Board Member of Business Transactions with the School District

For the Twelve-Month Period Ended August 31, 2011

	Total	
Superintendent:		
Dr. Bonny Cain	$0.00	
Sheryl Davis, Interim	$0.00	
Board Members:		
Pat Atkins	$50,469.70	*
Cary DuPuy	$1,736.51	
Norman Manning	$0.00	
Larry Perez	$0.00	
David Schleicher	$0.00	
Allen Sykes	$67,793.60	*
Angela Tekell	$0.00	
Alex Williams	$0.00	

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

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

Exhibit A-6
Summary Schedule of Data Submitted Under the Financial Solvency provisions of TEC §39.0822

General Fund - First-Quarter Expenditures By Object Code

A. Report 2011-2012 first-quarter (first three months of fiscal year 2011-2012) GENERAL FUND expenditures by object code using whole numbers.

Payroll	Expenditures for payroll costs	object codes 6110-6149	$ 23,837,708
Contract Costs	Expenditures for services rendered by firms, individuals, and other organizations	object code series 6200	$ 3,245,068
Supplies and Materials	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	object code series 6300	$ 1,079,028
Other Operating	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	object code series 6400	$ 743,284
Debt Service	Expenditures for debt service	object code series 6500	$ 289,214
Capital Outlay	Expenditures for land, buildings, and equipment	object code series 6600	$ 157,127

Exhibit A-6
Summary Schedule of Data Submitted Under the Financial Solvency provisions of TEC §39.0822

Additional Financial Solvency Questions

		Yes	No
B.	**Districts with a September 1 - August 31 fiscal year: Within the last two years, did the school district**		
	a) draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and		√
	b) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?		√
C.	**Has the school district declared financial exigency within the past two years?**		√

D. **Provide comments or explanations for student-to-staff ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.**

Mean Enrollment-to-Teacher Ratio	85% of mean Enrollment-to-Teacher Ratio	School District Size
8.30	7.05	Under 100
9.54	8.11	100 to 249
10.80	9.18	250 to 499
11.54	9.81	500 to 999
12.65	10.75	1,000 to 1,599
13.65	11.60	1,600 to 2,999
14.43	12.26	3,000 to 4,999
14.97	12.73	5,000 to 9,999
15.12	12.86	10,000 to 24,999
15.27	12.98	25,000 to 49,999
15.44	13.12	50,000 and Over

The district's enrollment-to-teacher ratio was 14.1466:1 well within the 15% allowable range.

The district's unassigned fund balance remained stable, increasing 1.02% over the prior year.

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 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 81.

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

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

Ending Fund Balance: The 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 though 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.

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.

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

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

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

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

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

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

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

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).

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

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

Restricted Fund Balance: This is that portion of fund balance that has externally enforceable constraints made by outside parties.

Revenues: Any increase in a school district's financial resources from property taxes, foundation fund entitlements, user charges, grants, and other sources. Revenues fall into the three broad sources of revenues: Local & Intermediate; State; and Federal.

Robin Hood Funds: See Wealth Equalization Transfer.

Rollback Tax Rate: Provides 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.

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

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

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

Unassigned Fund 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.

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

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

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

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

DISCLAIMER 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.