



# 2009 Annual Financial Accountability Management Report

For the Year Ending August 31, 2009

Waco Independent School District  
Waco, Texas





# Annual Financial Accountability Management Report

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This is the eighth 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 76<sup>th</sup> Texas Legislature in 1999.

The purpose of School FIRST is to ensure that school districts are 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 these 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.

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 Texas Education Agency adopted additional refinements to the School FIRST process in response to comments received from stakeholders. These changes were effective for financial ratings released in August 2008 and later and have been implemented as an amendment of Title 19 Texas Administrative Code, Chapter 109, Budgeting, Accounting, and auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System. The adjustments included the addition of several new indicators and "raising the bar" for several indicators.

Improvements in financial management in many school districts have been identified since the initiation of School FIRST in 2003, one result being the provision of opportunities for increased financial allocations in support of classroom activities.

Districts' ratings are based upon the districts' numerical scores on 22 indicators. With the passage of House Bill 3, 81<sup>st</sup> Legislative Session, the 65% instructional expenditure ratio requirement was repealed. This resulted in the deletion of prior indicators 13 and 14 related to the 65% instructional expenditure ratio requirement for the ratings issued by the Texas Education Agency in the summer of 2010. This also resulted in the deletion of provisions for posting the

check register on the school district's internet site, under the 2010 amendment of Title 19, Texas Administrative Code, Chapter 109, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System.

The following chart illustrates the scoring criterion for determination of ratings:

Rating	Points
Superior Achievement	72-80 and Yes to indicator 7
Above Standard Achievement	64-71 or $\geq 72$ and No to indicator 7
Standard Achievement	56-63
Substandard Achievement	$< 56$ or No to one default indicator
Suspended – Data Quality	

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.

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 worldwide web site and districts are able to print copies of all materials from that source.

On August 30, 2010 the Texas Education Agency posted the District's final 2010 School FIRST rating. The School FIRST ratings were based upon an analysis of staff and student data reported for the 2008-2009 school year, and budgetary and actual financial data for the 2009 fiscal year (the fiscal period ended August 31, 2009).

**For 2008-2009 Waco Independent School District received a rating  
of  
"Above Standard Achievement"**

Although the district received a score of 75, its academic rating, as scored on indicator 7, of "Academically Unacceptable" prevented it from received a rating of "Superior Achievement" .

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 total reimbursements received 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; and 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.

Additional information to be included in the report may be determined by the local board of trustees as deemed useful. A copy of this report is available upon request through the Office of Public Information.

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 September 2, 2010 and September 9, 2010. The public meeting was to be held as a specially called Board of Trustees meeting on September 23, 2010.

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.

## The Ratings Worksheet

The following pages contain the 2008-09 School FIRST rating worksheet detailing the District's performance on each of the twenty-four 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

#### 2008-2009 DISTRICT STATUS DETAIL

<b>Name:</b> WACO ISD(161914)		<b>Publication Level 1:</b> 6/11/2010 12:03:10 PM	
<b>Status:</b> Passed		<b>Publication Level 2:</b> 8/30/2010 4:06:59 PM	
<b>Rating:</b> Above Standard Achievement		<b>Last Updated:</b> 8/30/2010 4:06:59 PM	
<b>District Score:</b> 75		<b>Passing Score:</b> 56	
#	Indicator Description	Updated	Score
1	<u>Was The Total Fund Balance Less Reserved Fund Balance Greater Than Zero In The General Fund?</u>	3/30/2010 3:31:19 PM	Yes
2	<u>Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)</u>	3/30/2010 3:31:19 PM	Yes
3	<u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u>	3/30/2010 3:31:19 PM	Yes
4	<u>Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?</u>	3/30/2010 3:31:19 PM	Yes

5	<u>Was There An Unqualified Opinion in Annual Financial Report?</u>	3/30/2010 3:31:19 PM	Yes
6	<u>Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?</u>	3/30/2010 3:31:20 PM	Yes
			1 Multiplier Sum
7	<u>Did the Districts Academic Rating Exceed Academically Unacceptable?</u>	3/30/2010 3:31:20 PM	0
8	<u>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</u>	3/30/2010 3:31:20 PM	5
9	<u>Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?</u>	3/30/2010 3:31:24 PM	5
10	<u>Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) &lt; \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or &gt; 7%, Or If Property Taxes Collected Per Penny Of Tax Effort &gt; \$200,000 Per Student)</u>	3/30/2010 3:31:24 PM	5
11	<u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u>	3/30/2010 3:31:24 PM	5
12	<u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</u>	3/30/2010 3:31:24 PM	5
13	<u>Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?</u>	3/30/2010 3:31:25 PM	5

14	<u>If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)</u>	3/30/2010 3:31:25 PM	5
15	<u>Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivable) In The General Fund Greater Than Or Equal To 1:1? (If Deferred Revenues Are Less Than Net Delinquent Taxes Receivable)</u>	3/30/2010 3:31:25 PM	5
16	<u>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</u>	3/30/2010 3:31:26 PM	5
17	<u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u>	3/30/2010 3:31:26 PM	5
18	<u>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</u>	3/30/2010 3:31:26 PM	5
19	<u>Was The Total Fund Balance In The General Fund More Than 50% And Less Than 150% Of Optimum According To The Fund Balance And Cash Flow Calculation Worksheet In The Annual Financial Report?</u>	3/30/2010 3:31:26 PM	5
20	<u>Was The Decrease In Undesignated Unreserved Fund Balance &lt; 20% Over Two Fiscal Years?(If 1.5 Times Optimum Fund Balance &lt; Total Fund Balance In General Fund Or If Total Revenues &gt; Operating Expenditures In The General Fund,Then District Receives 5 Points)</u>	3/30/2010 3:31:27 PM	5
21	<u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u>	3/30/2010 3:31:27 PM	5
22	<u>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) More Than \$20 Per Student?</u>	3/30/2010 3:31:27 PM	5
			75

		Weighted Sum
		1 Multiplier Sum
		75 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 7-22)

<b>Superior Achievement</b>	72-80 and Yes to indicator 7
<b>Above Standard Achievement</b>	64-71 or $\geq 72$ and No to indicator 7
<b>Standard Achievement</b>	56-63
<b>Substandard Achievement</b>	$< 56$ or No to one default indicator

### INDICATOR 17 & 18 RATIOS

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

## 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 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, 2009, Waco ISD had an ending unreserved fund balance of \$26,208,934 as compared to \$24,797,900 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, 2009, Waco ISD had a total unrestricted net asset balance of \$27,908,196 with accretion of interest for capital appreciation bonds of \$435,488. At August 31, 2008, the total unrestricted net asset balance was \$27,585,701 with accretion of interest for capital appreciation bonds of \$329,681.*

**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, 2009 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, 2009 was approved by the Board of Trustees on January 21, 2010 and received by the Texas Education Agency on January 28, 2010. The Annual Financial Report for the fiscal year ended August 31, 2008 was approved by the Board of Trustees on January 22, 2009 and filed with the Texas Education Agency on January 28, 2009, before the deadline.*

**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, 2009 and August 31, 2008 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, 2009 and August 31, 2010 disclosed no material weaknesses in internal control.*

**7. Did the district's academic rating exceed academically unacceptable?**

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

*The District's academic rating for the 2008-09 school year was "Academically Unacceptable". In the 2007-08 school year the rating was "Academically Acceptable."*

**8. 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 98.88 percent of its tax levy for the fiscal year ended August 31, 2009 and 98.8 percent of its tax levy for the fiscal year ended August 31, 2008.*

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

This indicator measures the quality of data reported to PEIMS and in 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 3 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 0.0000011 for the fiscal year ended August 31, 2009 compared to a variance of 0.0000020 in the previous year.*

- 10. Were Debt-Related Expenditures (net of IFA and/or EDA allotment) less than \$350 (\$250 for 2007-08) 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 \$811.088 per student on debt-related expenditures for the fiscal year ended August 31, 2009 and the five-year percent change in students was a negative 0.95%, property taxes collected per penny of tax effort were more than \$200,000 so the district received the full five points. Debt-related expenditures were \$348.9684 per student in the previous year.*

- 11. 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, 2009 and August 31, 2008 disclosed no material non-compliance with laws, rules or regulations.*

- 12. 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.*

- 13. 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 \$24.5 million for the fiscal year ended August 31, 2009 and by \$20.7 million for the fiscal year ended August 31, 2008.*

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

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

*The District's aggregate fund balance in the General Fund and Capital Projects Fund exceeded \$176.5 million for the 2009 fiscal year and \$152.3 for the 2008 fiscal years. Expenditures for capital projects did not exceed funds available for that purpose in either year.*

- 15. Was the ratio of Cash and Investments to Deferred Revenues (excluding amount equal to net Delinquent Taxes Receivable) in the General Fund greater than or equal to 1:1? (If Deferred Revenues are less than 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 \$169,595 at August 31, 2009 so the District automatically received five points. Property taxes receivable net of uncollectible taxes exceeded total deferred revenues by \$94,600 at August 31, 2008.*

- 16. 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 8.52 percent for the fiscal year ended August 31, 2009 compared to 8.1 percent for the prior year. This was less than the Acceptable Administrative Cost Ratio of 11.05 percent for district's of comparable size.*

**17. 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	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 2008-09 school year was 14.6551:1 compared to 14.2817:1 for 2007-08. Although on the low side, the ratio is within the acceptable range for districts with student populations in excess of 10,000.*

**18. 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	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 2008-09 school year was 7.315:1 compared to 7.115:1 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.*

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

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

*The District's calculated optimum fund balance at August 31, 2009 was \$19,870,922 compared to the District's Total General Fund Balance of \$26,208,934. This amount is between the upper and lower limits of one-half, \$9,935,461 and one and one-half, \$29,806,383. At August 31, 2008 the calculated optimum fund balance was \$24,442,944 compared to the District's General Fund Total Fund Balance of \$25,720,211. This amount was between the upper and lower limits of one-half, \$12,221,472, and one and one-half, \$36,664,416, of the optimum fund balance.*

**20. Was the decrease in Unreserved Fund Balance less than 20 percent over two Fiscal years? (If 1.5 times Optimum Fund Balance in General Fund or if Total Revenues exceeded 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 Fund Balance in the General Fund increased from \$20,693,380 to \$26,208,934 over the past two years. This represents a 20.27 percent increase.*

**21. 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, 2009 totaled \$27,083,443 compared to \$18,159,064 in the prior year.*

**22. Were investment earnings in all funds more than \$20?**

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

*Investment earnings for the fiscal year ended August 31, 2009 were \$25.3574 per student compared to \$62.4741 per student for the fiscal year ended August 31, 2008, a decrease of \$37.1167 over last year. This is above the acceptable amount of \$20 per student and scores the maximum four points.*

**Exhibit A-1**  
**Superintendent's Current Employment Contract**  
Page 1 of 5

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 2010. 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.

Exhibit A-1  
Superintendent's Current Employment Contract  
Page 2 of 5

**TWO-YEAR TERM ADMINISTRATOR CONTRACT**

State of Texas  
County of McLennan

**For Certified Professional Administrator Position**

WACO INDEPENDENT SCHOOL DISTRICT (the "District") hereby employs Sheryl A. Davis (the "Employee"), and the Employee accepts employment on the following terms and conditions:

1. **Term.** The District agrees to employ the Employee on a 12-month basis for the 2013-2014 school year, according to the hours and dates set by the District as they exist or may hereinafter be amended.
2. **Credentials.** This Contract is conditioned upon the Employee's satisfactorily providing, before the first day of the term of this Contract, the certification, service records, documentation of highly-qualified status, and other records and information required by law, the Texas Education Agency ("TEA"), the State Board for Educator Certification ("SBE"), or the District.
  - 2.1 **Certification:** The Employee agrees to maintain the required certification throughout the term of this Contract. If the Employee fails to fulfill the requirements necessary to extend a temporary or emergency certificate or permit, or if the Employee's certification expires, is suspended, or is revoked, this Contract is void.
  - 2.2 **Qualifications:** If the Employee is a classroom teacher, the Employee agrees to become and remain "highly qualified," as that term is defined under the No Child Left Behind Act, 20 U.S.C. § 7801, and by the TEA, to the extent required by law.
3. **Representations.** The Employee makes the following representations and agreements:
  - 3.1 **Criminal History Review:** At the beginning of this Contract, and at any time during this Contract, the Employee specifically agrees to submit to a review of his or her national criminal history record information (NCHRI) if required by the District, TEA, or SBE.
  - 3.2 **Repealing of Contracts:** The Employee represents that he/she has disclosed to the District, in writing, any conviction, no contest or guilty plea, or other adjudication of the Employee for any felony or any other offense listed at 19 Tex. Admin. Code § 249.16(b). The Employee understands that a criminal history record reportable to the District, at its sole discretion, is a condition of this Contract.
  - 3.3 **During Contract:** The Employee also agrees that, during the term of this Contract, the Employee will not, in writing, to the Superintendent, in writing, of any arrest, indictment, conviction, no contest or guilty plea, or other adjudication of the Employee for any felony or any other offense listed at 19 Tex. Admin. Code § 249.16(b). Employee agrees to provide such notification within seven calendar days or any shorter period as may be required by law.
  - 3.4 **False Statements and Misrepresentations:** The Employee represents that any required records or information provided in his or her employment application are true and correct. Any false statements, misrepresentations, omissions of requested information, or fraud by the Employee concerning any required records or information may be grounds for termination or nonrenewal, as applicable.
4. **Duties.** The Employee agrees to perform his or her duties as follows:
  - 4.1 **General Standards:** The Employee shall perform the duties of the position assigned as prescribed by state law and the District's policies, care, skill, and diligence.
  - 4.2 **Assignment/Reassignment:** The District shall have the right to assign or reassign the Employee to positions, duties, or additional duties and to make changes in responsibilities, work, or transfers, at any time during the contract term.
  - 4.3 **Supplemental Duty:** This Contract does not cover assignments of or payments for supplemental duties. This Contract does not create a property right to continued employment in any supplemental duty.
  - 4.4 **Rules:** The Employee shall comply with all Board and District directives, state and federal laws and rules, District policy, and regulations as they exist or may hereafter be amended.
5. **Compensation.** The District agrees to pay the Employee compensation as follows:
  - 5.1 **Salary:** The District shall pay the Employee according to the compensation plan adopted by the Board. The Employee's salary includes consideration for all assigned duties, responsibilities, and tasks.
  - 5.2 **Annualized Salary:** If the Employee will work on a less-than-12-month basis, the Employee's salary will be paid on an annualized basis. The District will make deductions from each paycheck for income tax withholding and benefits.
  - 5.3 **Incentive and Performance Pay:** If the Employee qualifies, the Employee may receive incentive pay or pay for performance under the District's compensation plan, federal law, or state law, including Education Code Chapter 21, subchapter C. An incentive payment is not an entitlement as part of the Employee's salary.
  - 5.4 **Overpayments:** The Employee agrees that the District may deduct any wage overpayments under this contract from one or more of the Employee's paychecks.

**RECEIVED**  
WACO ISD  
HUMAN RESOURCES DEPT.

**Exhibit A-1**  
**Superintendent's Current Employment Contract**  
 Page 3 of 5

5.3 **Benefits:** The District shall provide benefits to the Employee as provided by state law and Board policy. The District reserves the right to amend its policies at any time during the term of this Contract to reduce or increase these benefits, at the Board's sole discretion.

**6. Other Provisions.**

6.1 **Equipment and Reports:** The Employee shall satisfactorily submit or account for all grades, reports, school equipment, or other required items upon request from the District.

6.2 **Special Funding:** Employment in federally or categorically funded positions is expressly conditioned on the availability of full funding for the position. If full funding becomes unavailable, the Employee is subject to termination or nonrenewal, as applicable.

6.3 **Addenda:** This Contract includes one or more Addenda, if applicable, as follows:

- (1) Addendum A: Not Applicable
- (2) Addendum B: Not Applicable

7. **Suspension:** In accordance with the Texas Education Code, the District may suspend the Employee without pay during the term of this Contract for good cause as determined by the Board.

**8. Termination and Nonrenewal of Contract.**

8.1 **Termination:** This Contract will terminate upon a determination by the Board of good cause, financial exigency, or a program change, in accordance with applicable law and Board policy, or upon the Employee's resignation at the end of a school year without penalty, pursuant to the applicable provisions of Texas Education Code Chapter 21.

8.2 **Nonrenewal:** The District may nonrenew this Contract in accordance with Texas Education Code Chapter 21, as applicable, and Board policy.

**9. General Provisions.**

9.1 **Amendment:** This Contract may not be amended except by written agreement of the parties.

9.2 **Severability:** If any provision in this Contract is, for any reason, held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision of the Contract.

9.3 **Entire Agreement:** All existing agreements, both verbal and written, between the parties regarding the employment of the Employee are superseded by this Contract. This Contract does not constitute a "unified contract" with any supplemental duties agreement between the parties.

9.4 **Applicable Law:** Texas law shall govern construction of this Contract.

10. **Notice to Employee:** The Employee agrees to keep a current address on file with the District's human resources office. The Employee agrees that the District may meet any legal obligation if has to give the Employee written notice regarding the Employee's employment by hand-delivering the notice to the Employee or by sending the notice by certified mail, regular mail, and/or express delivery service to the Employee's address of record.

11. **Expiration of Offer:** This offer of employment contract shall expire unless the Employee signs and returns this Contract, without changes, to the Superintendent on or before **4/23/2010**. If the Employee fails to sign and return this Contract by this date, without changes, the Employee shall be deemed to have rejected this offer and to have resigned from employment with the District, if any, at the end of the existing contract term.

I have read this Contract and agree to abide by its terms and conditions:

Wash Independent School District

Employee: *Sheryl Davis*

By: *Robert Hernandez*  
 Superintendent

Date signed: 4/21/10

Date signed: 4/15/2010

\*A contract addendum will be delivered to employee on or before September 30th of each year during the contract term. The addendum will set forth the annual salary and supplemental duty pay, if any, under the compensation plan adopted by the Board of Trustees. Each addendum will become a part of the contract.

See administrative policies, such as: The Board of Human Resources (254-255-2415), Director of Student Services (254-255-2515), or Director of State and Federal Programs (254-255-4520), P. O. Box 27, Waco, Texas, 76799



**CONTRACT ADDENDUM  
FOR  
ASSIGNMENT AND SALARY**

The information contained on this addendum indicates your 2010-2011 assignment and rate of pay. This addendum does not guarantee that you will continue in the assignment or continue to receive the stipend granted for additional work, if any. Assignment to any position is at the will of the Superintendent. You may be assigned or reassigned at any time and from time to time. The Superintendent or designee may assign supplemental duties to personnel exempt under the Fair Labor Standards Act, as needed. These non-contractual duties may be given to another person, modified or discontinued at any time for any reason or no reason, at the sole discretion of the District. The assignment of these duties does not create any expectation of continued assignment to that same duty or any other additional duties. Your employment with the district is governed by the contract that you signed. Although you may be assigned additional duties without supplemental, you will be paid the additional amount set forth below for performing the duties hereby assigned. The stipend for additional duties may be modified or discontinued at any time or from time to time. Per your contract, resignation or termination from any position, including the assignment specified below, is a resignation or termination of all employment and your employment contract.

Employee Name: Sheryl A Davis

Employee ID #: 17638

School or Department: Administration Bldg

Position: Asst Supt Bus & Supp Serv

Begin Date: 7/1/10 End Date: 6/15/11

Maximum Days: 226 Total Completed Years of Service: 21

Base Salary: \$113,773.00

Supplemental Assignment (if any):

Total Annual Salary: \* \$113,773.00

\* The Base Salary is the annual salary if the employee began work on the first day of the employment period. The base salary will be prorated if the employee began after the first day of the employment period.

**Supplemental Duty Agreement—  
Interim Superintendent**

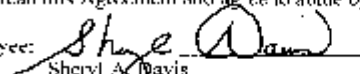
This Agreement is entered into between the Board of Trustees (the "Board") of WACO INDEPENDENT SCHOOL DISTRICT (the "District") and SHERYL A. DAVIS (the "Employee").

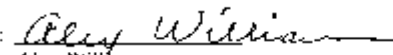
The Employee agrees to perform the supplemental duty of Interim Superintendent, beginning August 2, 2010, for a \_\_\_\_\_ month period or until the District enters into a contract with a superintendent, whichever occurs first.

The Board shall pay the Employee a stipend in the amount of \$3500.00 per month, prorated in accordance with the actual period of time the Employee provides services under this Agreement. This stipend is provided in addition to the salary the Employee receives for her primary job assignment.

This assignment is at-will and is not a part of the Employee's regular employment contract with the District. There is no property right to the Employee's continuation of this assignment. The Employee may resign this duty at any time or the District may reassign or terminate this duty at any time.

I have read this Agreement and agree to abide by its terms and conditions:

Employee:   
Sheryl A. Davis  
Date signed: 8/30/10 \_\_\_\_\_

Waco Independent School District  
By:   
Alex Williams  
President, Board of Trustees  
Date signed: 8/30/10 \_\_\_\_\_



**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, 2009**

Description of Reimbursements	Meals	Lodging	Transportation	Motor Fuel	Other	Total
<b>Superintendent:</b>						
Dr. Roland Hernandez	\$ 1,683.98	314.05	1,381.10	40.00	1,058.55	\$ 4,477.68
<b>Board Members:</b>						
Pat Atkins	\$ 110.68	57.64	506.85	-	325.55	\$ 1,000.72
Debbie Luce	\$ 110.68	72.07	506.85	-	325.55	\$ 1,015.15
Norman Manning	\$ -	-	-	-	285.00	\$ 285.00
Larry Perez	\$ 209.16	124.00	766.27	-	550.55	\$ 1,649.98
David Schleicher	\$ 110.68	18.43	506.85	-	325.55	\$ 961.51
Sammy Smith	\$ 110.68	87.29	506.85	-	40.55	\$ 745.37
Allen Sykes	\$ 110.68	89.13	506.85	-	325.55	\$ 1,032.21
Alex Williams	\$ 110.68	61.43	506.85	-	325.55	\$ 1,004.51

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, 2009**

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

**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, 2009**

	Total
Superintendent:	
Dr. Roland Hernandez	\$0.00
Board Members:	
Pat Atkins	\$0.00
Debbie Luce	\$0.00
Norman Manning	\$0.00
Larry Perez	\$0.00
David Schleicher	\$0.00
Sammy Smith	\$0.00
Allen Sykes	\$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, 2009**

	Total
Superintendent:	
Dr. Roland Hernandez	\$0.00
Board Members:	
Pat Atkins	\$47,684.13 *
Debbie Luce	\$0.00
Norman Manning	\$0.00
Larry Perez	\$0.00
David Schleicher	\$0.00
Sammy Smith	\$0.00
Allen Sykes	\$68,998.78 *
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 salaries and benefits for board member's spouse.*

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

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

**Accountability Rating:** The rating assigned by the Academic Excellence Indicator System (AEIS) to a school district or campus. The three indicators used to determine the accountability rating for a campus or district are their (1) performance on the TAAS reading, mathematics, and writing exams; (2) Dropout Rate; and (3) Attendance Rate. Based on these indicators every campus and district is assigned one of the following:

**District Ratings:** Exemplary, Recognized, Academically Acceptable, Academically Unacceptable, Unacceptable (Special Accreditation Investigation) or Charter.

**Campus Ratings:** Exemplary, Recognized, Acceptable, Low Performing, or Not Rated. Alternative Schools are rated differently.

**Accounting:** A standard school fiscal accounting system must be adopted and installed by the board of trustees of each school district. The accounting system must conform to generally accepted accounting principles. This accounting system must also meet at least the minimum requirements prescribed by the state board of education, subject to review and comment by the state auditor.

**Ad Valorem Property Tax:** Literally the term means “according to value.” Ad valorem taxes are based on a fixed proportion of the value of the property with respect to which the tax is assessed. They require an appraisal of the taxable subject matter’s worth. General property taxes are almost invariably of this type. Ad valorem property taxes are based on ownership of the property, and are payable regardless of whether the property is used or not and whether it generates income for the owner (although these factors may affect the assessed value).

**Adopted Tax Rate:** 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.

**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.

**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:** Function area 70 and one Object code series (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:** These are resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

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

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

**Ending Fund Balance:** The 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 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.

**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, covering 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, e.g., for food service and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)*

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

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

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

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

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

**Robin Hood Funds:** See Wealth Equalization Transfer.

**Rollback Tax Rate:** Provides the unit with approximately the same amount of tax revenue it spent the previous year for day-to-day operations plus an extra 8 percent cushion, and sufficient funds to pay its debts in the coming year. For school districts, the cushion is six cents per \$100 of property value, not 8 percent. School districts calculate the rollback rate necessary to generate the same amount of state and local funds per weighted average daily attendance (WADA) as was available to the districts in the preceding school year, using estimated WADA for the upcoming year, plus six cents, plus the current year's debt rate. The rollback rate is the highest rate that the taxing unit may adopt before voters can petition for an election to roll back the adopted rate to the rollback rate. For school districts, no petition is required; it's an automatic election if the adopted rate exceeds the rollback rate.

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

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

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

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

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

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

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

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

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

**DISCLAIMER**

All of the information provided is believed to be accurate and reliable; however, TASBO and TSPRA assume no responsibility for any errors, appearing in this information or otherwise. Further, TASBO and TSPRA assume no responsibility for the use of the information provided.