2009 Annual Financial Accountability Management Report

For the Year Ending August 31, 2008

Waco Independent School District
Waco, Texas



Annual Financial Accountability Management Report

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This is the seventh 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 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 24 indicators. Beginning with fiscal year 2006-2007, the financial accountability rating of a school district was based on its overall performance on certain financial measurements, ratios, and other indicators established by the commissioner of education in the financial accountability rating form entitled "School FIRST – Rating Worksheet Effective August 2006." On this form, Indicator 13, "Was the

percent of operating expenditures expended for instruction more than or equal to 65%?" will be phased in over a three-year period, as follows:

1) For fiscal year 2006-2007, the indicator was "Was the Percent of Operating expenditures expended for Instruction More than or equal to 55%?"

2) For fiscal year 2007-2008, the indicator is "Was the Percent of Operating expenditures expended for Instruction More than or equal to 60%?"

3) For fiscal year 2008-2009 and beyond, the indicator will be "Was the Percent of Operating expenditures expended for Instruction More than or equal to 65%?"

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

Rating	Points
Superior Achievement	>= 75 AND Yes to Indicator 7
Above Standard Achievement	>= 65 < 75 OR >= 75 AND No to Indicator 7
Standard Achievement	>= 55 < 65
Substandard Achievement	< 55 OR answered No to one default indicator (indicators 1, 2, 3, or 4, OR both 5 and 6)
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 24, 2009 the Texas Education Agency posted the District's final 2009 School FIRST rating. The School FIRST ratings were based upon an analysis of staff and student data reported for the 2007-2008 school year, and budgetary and actual financial data for the 2008 fiscal year (the fiscal period ended August 31, 2008).

For 2007-2008 Waco Independent School District received a rating of "Superior Achievement"

This is the sixth consecutive year that the District has received a rating of "Superior Achievement". Waco ISD scored 81 out of a possible 85 points.

Upon notification of the district's rating, the rating reports should 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 3, 2009 and September 10, 2009. The public meeting was to be held as a specially called Board of Trustees meeting on September 24, 2009.

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 following pages contain the 2007-08 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

2006-2007 DISTRICT STATUS DETAIL

Name: WACO ISD (161914)	**Publication Level 1:** 6/8/2009 4:39:05 PM
Status: Passed	**Publication Level 2:** 8/25/2009 1:41:58 PM
Rating: Superior Achievement	**Last Updated:** 8/25/2009 1:41:58 PM
District Score: 81	**Passing Score:** 55

#	Indicator Description	Result 2007-08	Result 2006-07
1	Was the Total Fund Balance Less Reserved Fund Balance Greater than Zero in the General Fund?	Yes	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 Five Year Percentage Change in Students was 10% or More)	Yes	Yes
3	Were there No Disclosures in the Annual Financial Report and / or Other Sources of Information Concerning Default on Bonded Indebtedness Obligations?	Yes	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	Yes
5	Was There An Unqualified Opinion in Annual Financial Report?	Yes	Yes
6	Did the Annual Financial Report Not Disclose Any Instance(s) of Material Weaknesses in Internal Controls?	Yes	Yes
7	Did the District's Academic Rating Exceed Academically Unacceptable?	5	5

8	Was the Three-Year Average Percent of Total Tax Collections (Including Delinquent) Greater than 98%?	5	5
9	Did the Comparison of PEIMS Data to Like Information in Annual Financial Report Result in an Aggregate Variance of Less than Three Percent of Expenditures per Fund Type (Data Quality Measure)? _	5	5
10	Were Debt Related Expenditures (Net of IFA and / or EDA Allotment) < $250.00 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	5
11	Was There No Disclosure in the Annual Audit Report of Material Noncompliance?	5	5
12	Did the District Have Full Accreditation Status in Relation to Financial Management Practices? (e.g. No Conservator or Monitor Assigned)_	5	5
13	Was the Percent of Operating Expenditures Expended for Instruction More than 65%? (Functions 11, 36, 93, 95) (Phased in over three years, 55% for 2006-2007; 60% for 2007-2008; 65% for 2008-2009)	1	2
14	Was the Percent of Operating Expenditures Expended for Instruction More than or Equal to 65%? (Functions 11, 12, 31, 33, 36, 93, 95)	1	1
15	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?_	5	5
16	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	5
17	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	5
18	Was the Administrative Cost Ratio Less than the Threshold Ratio?	5	5
19	Was the Ratio of Students to Teachers Within the Ranges Shown Below According to District Size?	5	5
20	Was the Ratio of Students to Total Staff Within the Ranges Shown Below According to District Size?	5	5
21	Was the Total Fund Balance in the General Fund More than 50%	5	5

	and Less than 150% of Optimum According to the Fund Balance and Cash Flow Calculation Worksheet in the Annual Financial Report?		
22	Was the Decrease in Undesignated Unreserved Fund Balance <20% Over Two Fiscal Years? (If 1.5 Times Optimum Fund Balance < Total Fund Balance in General Fund or If Total Revenues > Operating Expenditures in the General Fund, then District Receives 5 Points)	5	5
23	Was the Aggregate Total of Cash and Investments in the General Fund More than $0?	5	5
24	Were Investment Earning in All Funds (Excluding Debt Service Fund and Capital Projects Fund) More than $20 per Student? _	4	4

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 7-24)	
	Superior Achievement	75 - 85 and Yes to Indicator 7
	Above Standard Achievement	65 - 74 or >= 75 and No to indicator 7
	Standard Achievement	55 - 64
	Substandard Achievement	< 55 or No to one default indicator

INDICATOR 19 & 20 RATIOS

Indicator 19	Ranges for Ratios		**Indicator 20**	Ranges for Ratios	
District Size - Number of Students Between	Low	High	District Size - Number of Students Between	Low	High
< 500	7.0	22.0	< 500	5.0	14.0
500-999	10.0	22.0	500-999	5.5	14.0
1000-4999	11.5	22.0	1000-4999	6.3	14.0
5000-9999	13.0	22.0	5000-9999	6.8	14.0
=> 10000	13.5	22.0	=> 10000	7.0	14.0

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, 2008, Waco ISD had an ending unreserved fund balance of $24,797,900 as compared to $21,929,206 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, 2008, Waco ISD had a total unrestricted net asset balance of $27,585,701 with accretion of interest for capital appreciation bonds of $329,681. At August 31, 2007, the total unrestricted net asset balance was $24,732,541 with accretion of interest for capital appreciation bonds of $227,845.

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, 2008 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, 2008 was approved by the Board of Trustees on January 22, 2009 and received by the Texas Education Agency on January 28, 2008. The Annual Financial Report for the fiscal year ended August 31, 2007 was approved by the Board of Trustees on January 24, 2008 and filed with the Texas Education Agency on January 28, 2008, 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, 2008 and August 31, 2007 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, 2008 and August 31, 2007 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 both the 2007-08 and 2006-07 school years was "Academically Acceptable."

8. **Was the percent of total tax collections (including delinquent) greater than 98 percent (96 percent in 2005-06)?**

   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 98.8 percent of its tax levy for the fiscal year ended August 31, 2008 and 98.14 percent of its tax levy for the fiscal year ended August 31, 2007.

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 (4 percent in 2005-06) 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 0.0000020 for the fiscal year ended August 31, 2008 compared to a variance of 0.0000035 in the previous year.

10. **Were Debt-Related Expenditures (net of IFA and/or EDA allotment) less than $250 ($770 for 2005-06) per student? (if the district's five-year percent change in students was a 7 percent (2 percent in 2005-06) increase or more, or if property taxes collected per penny of tax effort were more than $200,000 ($100,000 in 2005-06), 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 $250 per student. Fortunately, the Legislature did allow for fast-growth schools to exceed this cap.

While the District spent $348.9684 per student on debt-related expenditures for the fiscal year ended August 31, 2008 and the five-year percent change in students was a negative 2.69%, 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 $333.3181 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, 2008 and August 31, 2007 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 percentage of Operating Expenditures expended for instruction more than or equal to 65 percent? (Functions 11, 36, 93 and 95) (Phased in over five years: 55% for 2006-2007, 60% for 2007-2008, 65% for 2008-2009)**

This indicator shows the district's ability to focus the majority of its funding so that it directly pays for student instruction. Student instructional costs

only include expenditure categories in the reporting format followed by the NCES (National Center for Educational Statistics), which include function code 11, instruction; function code 36, extracurricular activities; function code 93, payments to cooperatives; and function code 95, payments to juvenile justice alternative education programs. A district earns up to three points under this indicator based upon its relative performance. The district may post its check register and aggregate payroll amount if its performance on Indicator 13 prevents attaining the three points.

The District scored one out of three points on this indicator. District operating expenditures for instruction totaled $74,410,731 or 56.77 percent of the total operating expenditures of $131,070,243. In the prior year, District operating expenditures for instruction totaled $69,663,467 or 54.59 percent of the total operating expenditures of $127,623,174, an increase of 2.18 percent from last year. Had the District scored 60 percent or more, we would have scored three points; less than 60 percent but at least 57 percent we would have scored two points; less than 54 percent would have reduced the points to zero. The District will need to score at least 65.0 percent for the 2008-09 fiscal year to score any points on this indicator.

14. **Was the percent of operating expenditures expended for instruction more than or equal to 65%? (Functions 11, 12, 31, 33, 36, 93 and 95)**

This indicator provides another perspective on the district's ability to focus the majority of its funding so that it directly pays for student instruction. Student instructional costs include expenditure categories in the reporting format followed by the NCES (National Center for Educational Statistics) plus costs reported under function code 12, libraries and media services; function code 31, guidance, counseling and evaluation services; and function code 33, health services. A district earns up to three points under this indicator based upon its relative performance.

The District scored one out of three points on this indicator, District operating expenditures for instruction totaled $80,773,207 or 61.63 percent of the total operating expenditures of $131,070,243. In 2006-07 expenditures for instruction were $75,921,941, 59.49 percent of the total operating expenditures of $127,623,174. This represents a 2.14 percent increase over the prior year. Operating expenditures for instruction totaling 65 percent or more would have earned the District three points; less than 65 percent but at least 62 percent would have scored two points; below 59 percent would have reduced points to zero.

15. **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 $20.7 million for the fiscal year ended August 31, 2008 and by $21.7 million for the fiscal year ended August 31, 2007.

16. **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 $152.3 million for the 2008 fiscal year and $23.0 for the 2007 fiscal years. Expenditures for capital projects did not exceed funds available for that purpose in either year.

17. **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 $94,600 at August 31, 2008 so the District automatically received five points. Property taxes receivable net of uncollectible taxes exceeded total deferred revenues by $195,785 at August 31, 2007.

18. **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 8.10 percent for the fiscal year ended August 31, 2008 compared to 9.58 percent for the prior year. This was less than the Acceptable Administrative Cost Ratio of 11.05 percent for district's of comparable size.

19. **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 2007-08 school year was 14.2817:1 compared to 14.1112:1 for 2006-07. Although on the low side, the ratio is within the acceptable range for districts with student populations in excess of 10,000.

20. **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 2007-08 school year was 7.1151:1 compared to 7.0222:1 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.

21. **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, 2008 was $24,442,944 compared to the District's Total General Fund Balance of $25,720,211. This amount is between the upper and lower limits of one-half, $12,221,472 and one and one-half, $36,664,416. At August 31, 2007 the calculated optimum fund balance was $22,255,487 compared to the District's General Fund Total Fund Balance of $23,042,492. This amount was between the upper and lower limits of one-half, $11,127,744, and one and one-half, $33,383,231, of the optimum fund balance.

22. **Was the decrease in Undesignated 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 decreased from $24,987,601 to $23,869,841 over the past two years. This represents a 4.47 percent decrease and is within the allowable limit of 20 percent.

23. **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, 2008 totaled $18,159,064 compared to $13,433,663 in the prior year.

24. Were investment earnings in all funds more than $20 ($15 for 2005-06) per student?

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, 2008 were $62.4741 per student compared to $104.0171 per student for the fiscal year ended August 31, 2007, a decrease of $41.543 over last year. This is above the acceptable amount of $20 per student and scores the maximum four 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 2009. 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. J. Roland Hernandez, Jr. hereinafter called the "Superintendent"), that the Board in accordance with its action as found in the minutes of its meeting on June 11, 2007, does hereby employ Dr. J. Roland Hernandez, Jr. as Superintendent of Schools from the date of this contract through June 30, 2010. 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 his 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 his 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 annual salary of not less than $159,000.00. 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. During the first year of this contract, the annual salary will be the above amount. Thereafter, the Superintendent's salary will be reviewed annually and will be set at the time of the adoption of the annual budget. It is agreed that the amount of the Superintendent's salary will not be reduced from the preceding year's salary and will not be less than the above amount.

The District will provide the Superintendent with an automobile allowance in the amount of $500.00 per month. The Superintendent is authorized to designate all or any part of this automobile allowance as salary. The District will pay or reimburse the Superintendent for reasonable expenses directly incurred by him in the performance of his duties under this contract or will provide a credit card for his expenses. The Superintendent shall comply with all District Policies and procedures for documenting reimbursable expenses. The Board will pay the Superintendent's dues in TASA and AASA. The District will pay the Superintendent's dues in two (2) civic organizations. 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 his 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 a contribution toward health insurance 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 his duties by reason of illness, accident or other cause beyond his control, if said disability exists for a period longer than the accumulated sick leave to which he 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 his duties, the Board may, at its option, terminate this Contract whereupon the respective duties, rights and obligations hereof will terminate.

The District will reimburse the Superintendent for reasonable and necessary moving expenses actually incurred in moving household goods and furnishings from his present residence to Waco, Texas.

IV. Incentive Compensation

In addition to the compensation provided in Section III. above, the District will pay the Superintendent compensation in an amount of up to $12,000.00 on June 30th of each year of this Contract with the first payment being made on June 30, 2008. The actual amount to be paid will be determined by the Board on a subjective basis at the time of the Superintendent's annual evaluation as follows:

1) Up to $5,000.00 per year based upon student, campus and district academic achievement;

2) Up to $5,000.00 per year based upon community and staff relations; and

3) Up to $2,000.00 per year based upon the Superintendent's management of the District's financial resources.

V. Longevity Incentive

In addition to the above payments, the Superintendent will be paid a longevity incentive as follows: If the Superintendent remains employed through June 30, 2009, he will be paid a longevity incentive payment of $20,000.00. If the Superintendent remains employed through June 30, 2011, he will be paid a longevity payment of $30,000.00. If the Superintendent remains employed through June 30, 2013, he will be paid a longevity incentive of $40,000.00.

This Section V. does not extend this Contract for any period beyond June 30, 2010. Neither the Superintendent nor the District are obligated by this Contract beyond June 30, 2010. If the parties mutually agree to an extension so that the Superintendent remains employed on June 30, 2011 or June 30, 2013, he will be paid as provided for in this Section V. The payments provided for in this Section V. shall be paid in a lump sum on June 30th of the years in question.

VI. Review of Performance

In June of each year, or as soon thereafter as practicable, but no later than August 31, 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 contents of the Superintendent's evaluation with their respective legal counsel.

VII. 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 him or recovered against him by third parties, including, but not limited to, court costs and attorney's fees incurred by the Superintendent or awarded against him, arising from the performance of his 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.

VIII. 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.

IX. 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,

June 1, 2006, 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 21 day of June, 2007.

ATTEST:

SAMMY SMITH, Secretary
Board of Trustees

WACO INDEPENDENT SCHOOL DISTRICT

DEBBIE LUCE, President
Board of Trustees

J. ROLAND HERNANDEZ, JR.,
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, 2008

Description of Reimbursements	Meals	Lodging	Transportation	Motor Fuel	Other	Total
Dr. Roland Hernandez, Superintendent	$ 753.45	2,174.76	2,684.53	31.50	1,055.00	$ 6,699.24
David Schleicher, Board President	$ 181.00	390.22	91.76	-	74.89	$ 737.87
Sammy Smith, Board Vice President	$ 310.01	999.53	180.64	-	419.89	$ 1,910.07
Allen Sykes, Board Secretary	$ 185.96	414.70	91.76	-	74.89	$ 767.31
Pat Atkins, Board Member	$ 159.47	390.22	91.76	-	74.89	$ 716.34
Debbie Luce, Board Member	$ 202.00	409.38	91.76	-	94.89	$ 798.03
Larry Perez, Board Member	$ 409.39	1,579.19	555.56	-	644.89	$ 3,189.03
Alex Williams, Board Member	$ 177.80	215.11	91.76	-	34.89	$ 519.56

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, 2008

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, 2008

	Total
Dr. Roland Hernandez, Superintendent	$0.00
David Schleicher, Board President	$0.00
Sammy Smith, Board Vice President	$0.00
Allen Sykes, Board Secretary	$0.00
Pat Atkins, Board Member	$0.00
Debbie Luce, Board Member	$0.00
Larry Perez, Board Member	$0.00
Alex Williams, Board Member	$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, 2008

	Total
Dr. Roland Hernandez, Superintendent	$0.00
David Schleicher, Board President	$0.00
Sammy Smith, Board Vice President	$0.00
Allen Sykes, Board Secretary	$65,239.40 *
Pat Atkins, Board Member	$44,446.65 *
Debbie Luce, Board Member	$0.00
Larry Perez, Board Member	$0.00
Alex Williams, Board Member	$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.*

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 deliverd 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.

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

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