Mansfield Independent School District

2013 Schools FIRST
Annual Financial Management Report

For the Year Ended August 31, 2012

Dr. Jim Vaszauskas, Superintendent of Schools
Dr. Karen Wiesman, CPA, Associate Superintendent of Business and Finance

MANSFIELD INDEPENDENT SCHOOL DISTRICT
SCHOOLS FIRST REPORT FOR 2011-2012

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Introduction

Passed during the 77th regular session of the Texas Legislature (2001), Senate Bill 218 requires each Texas school district to prepare an annual financial accountability report on the District's Schools FIRST (Financial Accountability Rating System of Texas) rating. Many business-related issues are covered in this report and the District must hold a public meeting to discuss the report.

Since its inception, the FIRST rating has been modified several times to reflect changes in legislation and serve as a better measurement of a district's financial position. The rating system has been reduced from an original 22 indicators to currently 20 indicators. Measurements based on student performance have been removed to focus strictly on financial matters. In addition, six disclosures are now required along with the report; 1) the Superintendent's employment contract, 2) reimbursements received by the Superintendent and Board members, 3) outside compensation and/or fees received by the Superintendent for professional consulting and/or other personal services, 4) gifts received by the executive officer(s) and Board members (and first degree relatives, if any), 5) business transactions between the school district and Board members, and finally 6) a summary schedule of the data submitted under the Financial Solvency Provisions of TEC Section 39.0822.

The District's Schools FIRST rating is based upon budgetary and actual financial data along with an analysis of staff and student data reported for the 2011-2012 fiscal year. This information is submitted through the District's annual PEIMS (Public Education Information Management System) submissions. TEA issued the final financial accountability ratings for the 2011-2012 fiscal year in September 2013. The District's final rating of "Superior Achievement" is included in this report.

The financial accountability rating of the District is based on its overall performance on certain financial measurements, ratios, and other indicators established by the Commissioner of Education with the financial accountability rating worksheet. This worksheet was developed by representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC), the Comptroller's office and the Texas Association of School Business Officials (TASBO). The worksheet consists of 20 indicators, each weighted with numeric values with the exception of the Critical Indicators. A "No" response to one of Critical Indicators 1-6 will automatically result in a rating of Substandard Achievement, giving these six indicators high importance.

For the eleventh year in a row, Mansfield ISD continues its financial excellence with a rating of "Superior Achievement" for the 2011-2012 fiscal year, scoring positive responses on all 20 indicators and an overall score of 65 out of 70. Included in this report is the Rating Report received from TEA used in determining the District's score, an explanation of each of the Indicators, and the required disclosures.

Financial Integrity Rating System of Texas

2011-2012 DISTRICT STATUS DETAIL

Name: MANSFIELD ISD(220908)	**Publication Level 1:** 6/21/2013 3:05:18 PM
Status: Passed	**Publication Level 2:** 9/12/2013 6:29:59 PM
Rating: Superior Achievement	**Last Updated:** 9/12/2013 6:29:59 PM
District Score: 70	**Passing Score:** 52

#	Indicator Description	Updated	Score
1	Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?	4/26/2013 6:03:17 PM	Yes
2	Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)	4/26/2013 6:03:17 PM	Yes
3	Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?	4/26/2013 6:03:17 PM	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)?	4/26/2013 6:03:17 PM	Yes
5	Was There An Unqualified Opinion in Annual Financial Report?	4/26/2013 6:03:18 PM	Yes
6	Did The Annual Financial Report Not Disclose Any Instance(s) Of Material Weaknesses In Internal Controls?	4/26/2013 6:03:18 PM	Yes

			1 Multiplier Sum
7	Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?	4/26/2013 6:03:18 PM	5
8	Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?	4/26/2013 6:03:19 PM	5
9	Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < $350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > $200,000 Per Student)	4/26/2013 6:03:19 PM	5
10	Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?	4/26/2013 6:03:19 PM	5
11	Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)	4/26/2013 6:03:20 PM	5
12	Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?	4/26/2013 6:03:20 PM	5
13	If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)	4/26/2013 6:03:21 PM	5
14	Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivable) In The General Fund Greater Than Or Equal To 1:1? (If Deferred Revenues Are Less Than Net Delinquent Taxes Receivable)	4/26/2013 6:03:21 PM	5
15	Was The Administrative Cost Ratio Less Than The Threshold Ratio?	4/26/2013 6:03:21 PM	5

16	Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?	4/26/2013 6:03:22 PM	5
17	Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?	4/26/2013 6:03:23 PM	5
18	Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If Total Revenues > Operating Expenditures In The General Fund,Then District Receives 5 Points)	4/26/2013 6:03:23 PM	5
19	Was The Aggregate Total Of Cash And Investments In The General Fund More Than $0?	4/26/2013 6:03:23 PM	5
20	Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?	4/26/2013 6:03:24 PM	5
			70 Weighted Sum
			1 Multiplier Sum
			70 Score

DETERMINATION OF RATING

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

	Standard Achievement	52-57
	Substandard Achievement	<52

INDICATOR 16 & 17 RATIOS

Indicator 16	Ranges for Ratios		**Indicator 17**	Ranges for Ratios	
District Size - Number of Students Between	Low	High	District Size - Number of Students Between	Low	High
< 500	7	22	< 500	5	14
500-999	10	22	500-999	5.8	14
1000-4999	11.5	22	1000-4999	6.3	14
5000-9999	13	22	5000-9999	6.8	14
=> 10000	13.5	22	=> 10000	7.0	14

DISCUSSION OF BASE INDICATORS

1. Was the total fund balance less nonspendable and restricted fund balance greater than zero in the General Fund?

The District 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 restricted for a specific purpose. In other words, "Does the District have funds set aside for a rainy day?"

Mansfield ISD had a fund balance less nonspendable and restricted fund balance of $91 million.

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 percent change in students was 10% or more.)

This indicator seeks to make certain that the District's assets exceed total amount of liabilities.

Mansfield ISD had a total unrestricted net asset balance of $103.7 million (net of accretion of interest on the Capital Appreciation Bonds).

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

This indicator seeks to make certain that the District has paid bills and obligations on bonds issued to pay for school construction, etc.

Mansfield ISD has not defaulted on any bonded indebtedness obligations. The District's I&S tax rate, along with the Existing Debt Allotment from the state, is sufficient to generate funds for annual principal and interest payments.

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)?

This indicator merely states the District's requirement for timely reporting.

Mansfield ISD met all reporting requirements set by the TEA.

5. Was there an unqualified opinion in the Annual Financial Report?

A "qualified" report has a modification of the independent auditors' report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditors' general assertion that the financial statements are fairly presented. Mansfield ISD obtained an unqualified audit opinion. This indicates that the District's records were in good condition and fairly present the District's financial position.

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

An unqualified opinion on the District's Annual Financial Report indicates that the District has no material weaknesses in internal controls. Any internal weaknesses create a risk that the District is not being able to properly account for its use of public funds and should be immediately addressed.

Mansfield ISD met this requirement by having no disclosure of a material weakness in internal controls.

7. Was the three-year average percent of total tax collections (including delinquent) greater than 98 percent?

This measures the District's success in collecting the taxes owed to the District by the community's taxpayers, placing a 98 percent minimum collection standard. This includes any delinquent taxes owed from past years.

Mansfield ISD maintained a 106.63% of total tax collections as a percent of the current tax levy, including delinquent taxes.

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

This indicator measures the quality of data reported to PEIMS and in the District's Annual Financial Report to make certain that the data reported in each case is consistent. The information is compared in all fund types. The acceptable variance level is 3.0%.
The District met this requirement with a variance level of 0%.

9. Were debt-related expenditures (net of IFA and/or EDA allotment) less than $350 per student? (If the District's five-year percent change in students was a seven percent increase or more, or if property taxes collected per penny of tax effort were more than $200,000 per student.)

This indicator shows the Legislature's intent for school districts to spend its funds on education, rather than buildings, by limiting the amount of money districts can spend on debt to $350 per student. However, the Legislature did allow for fast-growth school districts to exceed this limit.

Mansfield ISD had debt-related expenditures of $1,447 per student. However, the District had an 11.51% increase in students in the past five years, and property tax collections of $3,122,064 per penny of tax effort.

10. Was there no disclosure in the annual audit report of material noncompliance?

No disclosure of material noncompliance indicates that the District has complied with laws, rules and regulations for a government entity.

Mansfield ISD has complied with all laws, rules and regulations that govern the District.

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

TEA will take control of a district due to financial issues such as fraud or having a negative fund balance.

Mansfield ISD maintains full accreditation status and was under no sanctions for the 2011-12 fiscal year for financial or any other reasons.

12. Was the aggregate of budgeted expenditures and other uses less than the aggregate of total revenues, other resources and fund balance in General Fund?

This indicator is used to determine if the District overspent its budget and available resources.

The District met this requirement.

13. If the District's aggregate fund balance in the General Fund and Capital Projects Fund was less than zero, were construction projects adequately financed? (To avoid creating or adding to the fund balance deficit situation.)

This indicator measures whether the District overspent on school buildings or other capital projects and the District's ability to construct facilities without eroding the District's fund balance.

Mansfield ISD did not over-spend what was available in issued bond funds and General Fund balance.

14. Was the ratio of cash and investments to deferred revenues (excluding amount equal to net delinquent taxes receivable) in the General Fund greater than or equal to 1:1? (If deferred revenues are less than net delinquent taxes receivable.)

This indicator measures whether or not the District has sufficient cash and investments to cover unexpected expenditures and/or reimbursement of state funds. The District should have fund balance monies of its own that are at least equal to those dollars that are due to overpayments from TEA, and the District should not be spending "next year's" money this year.

The District's ratio for Cash and Investments of $41.14 is greater than $1, indicating that the district has sufficient fund balances.

15. Was the administrative cost ratio less than the threshold ratio?

TEA sets a cap on the percentage of the budget that Texas school districts can spend on administration, which is based on the size of the district.

The cap on the administrative cost ratio set by TEA for the 2011-12 fiscal year was 11.05% for districts with a student population greater than 10,000. Mansfield ISD maintained an administrative cost ratio of 4.93% and met this requirement.

16. Was the ratio of students to teachers within the ranges shown on the worksheet according to district size?

This indicator measures the pupil-teacher ratio to ensure that it is within TEA recommended ranges for districts within specific student population ranges.

Mansfield ISD had a pupil-teacher ratio of 16.71 which was within the range for a district with more than 10,000 students.

17. Was the ratio of students to total staff within the ranges shown on the worksheet according to district size?

This measures the District's pupil-staff ratio to ensure that it is within TEA recommended ranges for districts within specific student population ranges.

Mansfield ISD had a pupil-staff ratio of 8.59 which was within the range for a district with more than 10,000 students.

18. Was the decrease in unassigned fund balance less than 20 percent over two fiscal years? (If total revenues exceeded operating expenditures in the General Fund, then the District receives 5 points.)

This indicator determines if the District is "feeding off of its fund balance" to pay for salaries or other district operating expenses. This indicator notes rapid decreases in the District's **unassigned** fund balance (those dollars not designated as a "land fund" or "construction fund") or emergency fund.

Mansfield ISD had an increase in the **unassigned** fund balance for the 2011-12 fiscal year.

19. Was the aggregate total of cash and investments in the General Fund more than $0?

This indicates whether the District has cash in the bank and/or investments.

Mansfield ISD had $113,148,626 in cash and investments at August 31, 2012.

20. Were investment earnings in all funds (excluding Debt Service Fund and Capital Projects Fund) meet or exceed the 3-month Treasury Bill rate?

This indicator measures whether the District is using its cash or reserve fund (fund balance) to generate interest earnings.

Mansfield ISD's investment earnings in all funds (excluding Debt Service and Capital Projects Fund) exceeded the 3-month Treasury Bill rate.

OTHER DATA CONCERNING THE DISTRICT'S OPERATIONS

The purpose of this section is to discuss other aspects of the District's business operations not covered by the Schools FIRST Worksheet directly.

Financial Strength

Considering the impact that minimal funding from the state has had on Mansfield ISD, the District has weathered the public school finance crisis better than many other districts because of its history of exercising strategic financial planning and investing as a standard practice. The District continually evaluates programs and services in order to continue to provide quality education while addressing demands associated with being a fast growth district.

Administrative Cost Comparison

One measure the State of Texas uses to measure operating cost efficiency is the administrative cost ratio. The administrative costs are divided by instructional costs to arrive at a percentage. A district's size determines its administrative cost limitations.

Year	Threshold	District Actual
2004-05	11.05%	5.08%
2005-06	11.05%	5.01%
2006-07	11.05%	5.07%
2007-08	11.05%	4.66%
2008-09	11.05%	4.55%
2009-10	11.05%	4.50%
2010-11	11.05%	4.73%
2011-12	11.05%	4.93%

Personnel Management

The District's longstanding personnel goal is to attract and retain qualified staff and to offer a competitive salary and benefit package each year. Even more of a challenge has been to present a comprehensive health insurance package to employees, along with other benefits such as the Teacher/Employee Recruitment & Retention Program. Attracting and retaining a quality teaching staff is always a priority with Mansfield ISD.

Debt Management

The taxpayers of the District authorized a $241,455,000 bond program in May 2006 to fund construction, renovation, buses and technology projects and improvements. At August 31, 2012 the total outstanding general obligation and refunding bonds was $1,736,891,914 with interest rates

ranging from 2.00% - 5.25% and maturities until 2042. The District has worked diligently to schedule bond maturities and interest payments to smooth out the impact on the tax rate and to match the useful life of capital assets being purchased and/or constructed.

Facilities Acquisition and Construction Management

With proceeds of the above-mentioned bonds, as of August 31, 2012 the District has construction underway for three new elementary schools scheduled to open in August 2013, and several major renovation projects scheduled for other campuses. Due to the increased student growth, the District must meet these demands with new and improved facilities.

Tax Collections

A consistent tax collection rate aids in the management of debt. As shown below, the District maintains a high collection rate.

Year	Collection Rate
2004-05	102.26%
2005-06	101.28%
2006-07	101.37%
2007-08	101.02%
2008-09	111.81%
2009-10	113.32%
2010-11	107.88%
2011-12	99.81%

Cash Management

The Schools FIRST worksheet addresses cash and investment issues, but only in a very basic manner. The worksheet criteria essentially provide that cash should be available and earn a minimal rate of return. In truth, the District's investment and cash management program is much more complex.

The District has a legal and local board policy that requires the District to invest funds within specific guidelines meant to ensure liquidity and safety. The District maintains a diverse portfolio consisting of investment pools, Federal Agency Securities, and Federal Instrumentality Securities. The District has increased yield with longer term instruments based on cash flow analysis.

Budgetary Planning & Financial Allocations

The District's budget process usually begins in January each year. During the first month of planning, budget allocations are developed for each campus and department. The District allocates funds to campuses based on an estimate of student count. Support departments receive funds based on the previous year's budgets adjusted (up or down) for future years' needs. Special project requests for amounts supplemental to allocations are considered individually each year. Budget input is scheduled for March. In March, calculations of state and local tax revenues are completed and the

budget starts to take on some form. April is the month the District is able to give the Board a view of how the next year's budget looks. In odd-numbered years, the legislature is in session, and that complicates and delays the budgeting process. The optimal time for making a public salary decision is May. Decisions are made on special project requests, revenue data is fine-tuned and a final budget is submitted to the Board of Trustees for approval in August.

The budget process is a proactive and highly participatory one, and campuses and departments are given a great deal of discretion as to how to budget their funds. After the budget is adopted, each campus or department is given equal latitude regarding amending their budget when their plans or needs change. This decentralized style of budget management is required by the State of Texas. It is called site-based decision making. It is a system that works best in the long run for the District by allocating resources where they are needed, even when those needs change.

Annual Audit Report

Each year, an audit of the District's financial statements is performed by the independent auditors, Whitley Penn, LLP. The auditors' responsibility is to report on the District's financial status and to ensure that the District is accurately handling the financial records within required standards. This report is a critical element of the accountability ratings worksheet, covering five criteria.

For the fiscal year ended August 31, 2012, the District received an "unqualified" opinion with no reportable conditions or material weaknesses.

Schools FIRST Disclosures

In fiscal year 2007, new reporting requirements became effective for the financial management report that is to be distributed at the Schools FIRST public hearing. Per Title 19 Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, the five (5) disclosures listed below are included in the appendix. The disclosures will include:

For Superintendents:

- Current employment contract (Fig. A-1).
- Compensation and fees received from another school district or other outside entity in exchange for professional consulting or other personal services (Fig. A-3).

For Board Members and Superintendents:

- Certain reimbursable expenses incurred by the District on behalf of the superintendent and each board member, including amounts for meals, lodging, transportation, motor fuel and other items (Fig. A-2).
- Gifts valued at $250 or more received by board members, superintendents and their immediate family members (and other "executive officers" named by the board) from school district vendors and competing vendors that were not awarded contracts (Fig. A-4).
- Business transactions between board members and the District (Fig. A-5).

In fiscal year 2010, an additional reporting requirement became effective for the financial management report that is to be distributed at the Schools FIRST public hearing per Texas Education Code Chapter §39.0822, Public School System Accountability.

Financial Solvency:

- A summary schedule of the financial solvency data previously submitted to the Texas Education Agency (Fig. A-6).

APPENDIX

MANSFIELD INDEPENDENT SCHOOL DISTRICT
SUPERINTENDENT EMPLOYMENT CONTRACT

This Superintendent Employment Contract ("Contract") is made and entered into by and between the Board of Trustees (the "Board") of the MANSFIELD INDEPENDENT SCHOOL DISTRICT (the "District") and DR. JIM VASZAUSKAS (the "Superintendent").

NOW, THEREFORE, the Board and the Superintendent, for and in consideration of the terms hereinafter established and pursuant to Sections 11.201 and 21.201, *et seq.*, of the Texas Education Code, do hereby agree as follows:

I. Term.

1.1 The Board, by and on behalf of the District, does hereby employ the Superintendent, and the Superintendent does hereby accept employment as Superintendent of Schools for the District on a twelve-month basis per school year for a term of approximately three (3) years, commencing on July 24, 2013, and ending on June 30, 2016. The District may, by action of the Board, and with the consent and approval of the Superintendent, extend the term of this Contract as permitted by state law.

1.2 The Board has not adopted any policy, rule, regulation, law, or practice for tenure. No right of tenure is created by this Contract. No property interest, express or implied, is created in continued employment beyond the term of this Contract.

II. Employment.

2.1 Duties. The Superintendent is the chief administrator and executive officer of the District and shall faithfully perform the duties of the Superintendent of Schools for the District, as prescribed in the job description and as may be lawfully assigned by the Board, and shall administer the District in accordance with all Board directives, policies, rules, and regulations and state and federal law, as they exist or may hereinafter be amended or adopted. As such, the Superintendent shall assign the administrative and supervisory staff in the manner that, in his judgment, best serves the public schools of the District. The responsibility for selection and/or promotion of personnel shall be vested in the Superintendent and his staff, subject to the approval of the Board. Except as provided in this Contract, the Superintendent agrees to devote his full time and energy to the performance of these duties in a faithful, diligent, conscientious and efficient manner. The Superintendent shall perform the duties of the Superintendent of Schools for the District with reasonable care, skill and expertise and in a thorough, prompt and efficient manner. All duties assigned to the Superintendent by the Board shall be appropriate to and consistent with the professional role and responsibility of the Superintendent.

2.2 Professional Certification and Records. The Superintendent shall at all times during the term of this Contract, and any renewal thereof, hold and maintain a valid certificate required of a superintendent by the State of Texas and issued by the Texas Education Agency and any other certificates required by law. The Superintendent also shall provide evidence of educational attainment, degrees earned, previous professional experience and other records required for the personnel files of the District. If the

Superintendent's certification expires, is canceled, or is revoked, this Contract is void.

2.3 Reassignment. The Superintendent is employed specifically and solely to perform the duties of Superintendent of Schools for the District and may not be reassigned from the position of superintendent to another position in the District except by mutual written agreement of the parties.

III. Representations. The Superintendent makes the following representations:

3.1 Beginning of Contract. At the beginning of this Contract, and at any time during this Contract, the Superintendent specifically agrees to submit to a review of his national criminal history record information (NCHRI) if required by the District, TEA, or SBEC. The Superintendent understands that a criminal history record acceptable to the Board, at its sole discretion, is a condition precedent to this Contract.

3.2 During Contract. The Superintendent also agrees that, during the term of this Contract, the Superintendent will notify the Board in writing of any arrest or of any indictment, conviction, no contest or guilty plea, or other adjudication of the Superintendent. The Superintendent agrees to provide such notification in writing within seven (7) calendar days of the event or any shorter period specified in Board policy.

3.3 False Statements and Misrepresentations. The Superintendent represents that any records or information provided in connection with his employment application are true and correct. Any false statements, misrepresentations, omissions of requested information, or fraud by the Superintendent in or concerning any required records or in the employment application may be grounds for termination or nonrenewal, as applicable.

IV. Compensation and Benefits.

4.1 Salary. The District shall pay the Superintendent an annual salary of TWO HUNDRED THIRTY FIVE THOUSAND AND NO/100 DOLLARS ($235,000.00) per year.

4.1.1 Salary Adjustments. At any time during the term of this Contract, the Board may, in its discretion, review and adjust the salary of the Superintendent, but in no event shall the Superintendent be paid less than the salary set forth in Section 4.1 of this Contract.

4.2 Benefits. The District shall provide benefits to the Superintendent as provided by state law and Board policies. The Board 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.

4.3 Expense Benefits for Travel Outside of District. The District shall pay or reimburse the Superintendent for reasonable expenses incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract. The District agrees to pay reasonable actual and incidental costs necessarily incurred by the Superintendent for travel outside of the District; such costs may include, but are not limited to gasoline, hotels and accommodations, meals, rental car, and other expenses incurred in the performance of the

business of the District. The Superintendent shall comply with all procedures and documentation requirements in accordance with Board and District policies.

4.4 Supplemental Retirement Plan Contribution. The District agrees to make an annual contribution for the Superintendent to a Supplemental Retirement Plan (the "Retirement Plan"), as defined herein, in an amount equal to TEN THOUSAND AND NO/100 DOLLARS ($10,000.00), to be paid on June 30th, or the last contract day of each year included in this Contract. The Supplemental Retirement Plan shall be a plan established under Section 403(b) of the Internal Revenue Code (the "Code") and/or a plan established under Section 457(b) of the Code. The 403(b) plan shall be established as an employer-paid plan with non-discretionary contributions by the District and the Superintendent shall have no right to receive such contributions in cash. The 403(b) plan and/or 457(b) plan shall each be established under a written plan document that meets the requirements of the Code and such documents are hereby incorporated herein by reference. The funds for the 403(b) plan and/or 457(b) plan shall be invested in such investment vehicles as are allowable under Code for applicable type of plan. The Superintendent shall have sole discretion as to (1) the service providers for the Supplemental Retirement Plan, within the provisions of the laws of the State of Texas, and (2) how the funds in the Supplemental Retirement Plan are invested. The Superintendent shall at times be 100% vested in his account under the Supplemental Retirement Plan. Contributions by the District shall first be made to the Section 403(b) plan, up to the contribution limit under Code. Contributions by the District shall next be made to the Section 457(b) plan, up to the contribution limit under the Code. Any contributions by the District that exceed all contribution limits for the Supplemental Retirement Plan shall be carried forward to the next calendar year and shall be made to the Supplemental Retirement Plan in the order specified herein.

4.5 Retirement Benefit. Per District past practice for administrators, upon retirement from the Mansfield Independent School District, the Superintendent will be paid his daily rate of pay for all accumulated state and local days, not to exceed a maximum cap of 60 days.

4.6 Automobile Allowance. The District shall provide the Superintendent with an automobile allowance in the sum of EIGHT HUNDRED THIRTY THREE AND 33/100 DOLLARS ($833.33) per month. This allowance is paid in lieu of mileage expense reimbursement for the Superintendent's business travel in his personal vehicle to destinations within a twenty-five (25) mile radius from the District Administration Building located at 605 East Broad Street, Mansfield, Texas 76063.

4.7 Cell Phone Allowance. The District shall provide the Superintendent with an allowance in the amount of ONE HUNDRED AND NO/100 DOLLARS ($100.00) per month to reimburse the Superintendent for business use of his personal cell phone.

4.8 Relocation Expenses. The District shall provide the Superintendent with a one-time payment of TEN THOUSAND AND NO/100 DOLLARS ($10,000.00), to be paid upon relocation to the Mansfield ISD, for relocation and living expenses associated with relocation to the Mansfield ISD.

4.9 Insurance Benefits. Upon request by the Superintendent, the District shall pay the premiums for hospitalization and major medical insurance plus Gap coverage for the Superintendent and eligible members of his family, pursuant to the group health care plan(s)

provided by the District for its administrative employees, as well as the premiums for dental insurance coverage for the Superintendent and all eligible members of his family, in accordance with the Dental care plan(s) the District provides for its District employees, as long as all District employees may obtain group dental insurance; Additionally, upon request, the District shall pay the premiums for basic disability insurance for the Superintendent in accordance with the disability plan provided its District employees.

4.10 Vacation, Holidays, and Leave Benefits. The Superintendent may take, at the Superintendent's choice, the same number of days of vacation authorized by policies adopted by the Board for administrative employees on twelve-month contracts, the days to be in a single period or at different times. The vacation days taken by the Superintendent will be taken at such time or times as will least interfere with the performance of the Superintendent's duties as set forth in this Contract. The Superintendent shall observe the same legal holidays provided by Board policies for administrative employees on twelve-month contracts. The Superintendent is hereby granted the same sick and personal leave benefits as authorized by Board policies for administrative employees on twelve-month contracts.

4.11 Professional Growth Benefits. The Superintendent shall devote the Superintendent's time, attention, and energy to the direction, administration, and supervision of the District. The Board, however, encourages the continued professional growth of the Superintendent through the Superintendent's active attendance and participation in appropriate professional meetings at the local, regional, state, and national levels. The Board shall encourage the use of data and information sources and shall encourage the participation of the Superintendent in pertinent education seminars and courses offered by public or private institutions or by educational associations, as well as the participation in informational meetings with those individuals whose particular skills, expertise, or backgrounds would serve to improve the capacity of the Superintendent to perform the Superintendent's professional responsibilities for the District. In its encouragement of the Superintendent to grow professionally, the Board shall permit a reasonable amount of release time for the Superintendent, not to exceed five days per year, as the Superintendent and Board deem appropriate, to attend such seminars, course(s), or meetings. The District shall pay the Superintendent's membership dues to the American Association of School Administrators and the Texas Association of School Administrators, as well as other memberships necessary to maintain and improve the Superintendent's professional skills. The District shall bear the reasonable costs and expenses for such attendance or membership.

4.12 Civic Activities Benefits. The Board encourages the Superintendent to become a member of and participate in community and civic affairs, including the chamber of commerce, civic clubs, governmental committees, and educational organizations. The Board concludes that such participation will serve a legitimate purpose related to the educational mission of the District. The Superintendent may hold offices or accept responsibilities in these professional organizations, provided that such responsibilities do not interfere with the performance of his duties as Superintendent. Prior to engaging in these activities, the Superintendent will notify the Board in writing of the activity. The Board will notify the Superintendent if the activity presents a conflict or interferes with the performance of his duties as Superintendent. The District shall reimburse the Superintendent for the cost of membership in all local civic organizations in which the Superintendent participates and related travel outside of the District, subject to advance Board approval.

V. Superintendent Evaluation, Board Meetings, Complaints, Indemnification, Outside Employment, and Residence.

5.1 Superintendent Evaluation.

5.1.1 Development of Goals. No later than the last Friday of September, the Superintendent shall submit to the Board a preliminary list of goals for the District each year for the Board's consideration and adoption. The Superintendent and the Board shall then meet, and the Board shall approve or revise the list of goals. The Superintendent shall submit to the Board for its approval a plan to implement the goals. The Superintendent and the Board shall meet biannually to assess the goals and may adjust or revise the goals either by action of the Board or upon recommendation of the Superintendent and approval of the Board. The goals approved by the Board shall at all times be reduced to writing ("District Goals") and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated. The Board agrees to work with and support the Superintendent in achieving the District Goals.

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

5.1.3 Confidentiality. Except as otherwise provided by law, the evaluation of the Superintendent shall at all times be conducted in executive session of the Board and shall be considered confidential. Nothing herein shall prohibit the Board or the Superintendent from sharing the content of the Superintendent's evaluation with their respective legal counsel.

5.1.4 Evaluation Format and Procedure. The evaluation format and procedure shall be in accordance with the Board's policies and state and federal law. In the event that the Board determines that the performance of the Superintendent is unsatisfactory in any respect, it shall describe in writing, in reasonable detail, specific instances of unsatisfactory performance. The evaluation shall include recommendations as to areas of improvement in all instances where the Board deems performance to be unsatisfactory. A copy of the written evaluation shall be delivered to the Superintendent. The Superintendent shall have the right to make a written response to the evaluation within thirty (30) days of receipt of the written evaluation from the board. That response shall become a permanent attachment to the evaluation in the Superintendent's personnel file. Within sixty (60) days of the delivery of the written evaluation to the Superintendent, the Board shall meet with the Superintendent to discuss the evaluation. The Board shall devote a portion of, or all of, one executive session annually to a discussion of the working relationship between the Superintendent and the Board. In the event the Board deems that the evaluation instrument, format, and/or procedure is to be modified by the Board and such modifications would require new or different performance expectations, the Superintendent shall be provided a reasonable period of time to demonstrate such expected performance before being evaluated.

5.2 Board Meetings. The Superintendent shall attend, and shall be permitted to attend, all meetings of the Board, both public and closed, with the exception of those closed

meetings devoted to the consideration of any action or lack of action on the Superintendent's Contract, or the Superintendent's evaluation, or for purposes of resolving conflicts between individual Board members, or when the Board is acting in its capacity as a tribunal. In the event of illness or Board-approved absence, the Superintendent's designee shall attend such meetings.

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

5.4 Indemnification. The District shall indemnify, defend, and hold the Superintendent harmless regarding any claims, demands, duties, actions or other legal proceedings against the Superintendent, or damages incurred by the Superintendent, including court costs and reasonable attorney's fees, in his individual or official capacity for any act or failure to act involving the exercise of judgment and discretion within the normal course and scope of his duties as Superintendent of the District, to the extent and to the limits permitted by law. This paragraph does not apply if the Superintendent is found to have materially breached this Contract, to have acted with gross negligence or with intent to violate a person's clearly established legal rights, or to have engaged in official misconduct or criminal conduct, nor does it apply to criminal investigations or proceedings. The District may, at its discretion, fulfill its obligation under this paragraph by purchasing appropriate insurance coverage for the benefit of the Superintendent or by including the Superintendent as a covered party under any contract providing errors and omissions insurance coverage purchased for the protection of the Board and the professional employees of the District. The Board may retain attorneys to represent the Superintendent in any proceeding for which he could seek indemnification under this paragraph, to the extent that damages are recoverable or a defense is provided, under any such contract of insurance. No individual member of the Board shall be personally liable for indemnifying and defending the Superintendent under this paragraph. The District's obligation under this paragraph shall continue for a period of four (4) years after the termination of this Contract for qualifying acts or failures to act occurring during the term of this Contract or any extension thereof.

5.4.1 The Board shall not be required to pay any costs of any legal proceedings in the event the Board and Superintendent are adverse to each other in any proceedings.

5.4.2 The Superintendent shall fully cooperate with the District in the Defense of any and all demands, claims, suits, actions and legal proceedings brought against the District. The Superintendent's obligation under this paragraph shall continue after any termination of the Contract for a period of four (4) years.

5.5 Outside Employment. Any outside employment of the Superintendent requires Board approval in advance of accepting such employment. The Superintendent may serve as a consultant to other school districts or educational agencies, individuals, or entities other than school districts or educational agencies with prior Board approval. The Superintendent may, at

his discretion, lecture, engage in writing activities and speaking engagements, and engage in other activities which are of short term duration.

5.6 Residence. The Superintendent shall maintain a residence within the geographical boundaries of the District. This residence shall be established by June 30, 2014.

VI. Termination, Nonrenewal, Suspension, Resignation of Contract.

6.1 Non-Renewal. The Board may non-renew this Contract in conformance with the terms of Subchapter E, §21.201, et seq., Texas Education Code. In the event the Board does not renew this Contract, the Superintendent shall be afforded all the rights set forth in the Board's policies and state and federal law.

6.2 Suspension. In accordance with Texas Education Code chapter 21, the Board may suspend the Superintendent without pay during the term of this Contract for good cause, as defined in Section 6.5 and determined by the Board.

6.3 Termination by Mutual Agreement. This Contract may be terminated by the mutual agreement of the Superintendent and the Board in writing, upon such terms and conditions as may be mutually agreed upon.

6.4 Termination by Retirement or Death. This Contact shall be terminated upon the retirement or death of the Superintendent.

6.5 Dismissal for Good Cause. The Board may dismiss the Superintendent during the term of this Contract for good cause as that term is applied under Texas law, provided that the Superintendent shall be provided all procedural and substantive rights as set forth in the Board's Policies and applicable state and federal law. If the Superintendent chooses to engage the services of legal counsel to represent him in any such manner, he shall pay the costs thereof. The term "good cause" is defined as follows:

6.5.1 Failure to fulfill duties or responsibilities as set forth under the terms and conditions of this Contract;

6.5.2 Incompetence or inefficiency in the performance of required or assigned duties as documented by evaluations, supplemental memoranda, or other written communication;

6.5.3 Insubordination or failure to comply with lawful written Board directives;

6.5.4 Failure to comply with the Board's policies or the District's administrative regulations;

6.5.5 Neglect of duties;

6.5.6 Drunkenness or current excessive use of alcoholic beverages;

6.5.7 Illegal use of drugs, hallucinogens, or other substances regulated by the Texas Controlled Substances Act;

6.5.8 Conviction of a felony or crime involving more turpitude;

6.5.9 Failure to meet the District's standards of professional conduct;

6.5.10 Failure to comply with reasonable District professional development requirements regarding advanced course work or professional development;

6.5.11 Disability, not otherwise protected by law, that impairs performance of the required duties of the Superintendent;

6.5.12 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;

6.5.13 Assault on a Board member, employee, or student;

6.5.14 Knowingly falsifying records or documents related to the District's activities;

6.5.15 Misrepresentation of facts to the Board or other District officials in the conduct of the District's business;

6.5.16 Failure to maintain or fulfill requirements for Superintendent certification;

6.5.17 Failure to fulfill the requirements of a deficiency plan under an Emergency Permit; or

6.5.18 Any other reason constituting "good cause" under Texas Law.

VII. Physical Condition.

7.1 Annual Physical Examination. The Superintendent shall undergo an annual physical examination performed by a licensed physician of the Superintendent's choice. The physician shall submit a confidential statement to the Board certifying the Superintendent's fitness to perform the Superintendent's duties and copies of all such statements shall be maintained in the Superintendent's personnel file.

7.2 Disability. Should the Superintendent become unable to perform any or all of the duties of his position by reason of illness, accident or other cause, and said disability exists after all sick leave and vacation time has been exhausted, the Superintendent shall be entitled up to one hundred eighty (180) days of unpaid leave of absence for temporary disability. During any time period in which the Superintendent is temporarily disabled, the Board may designate or appoint another employee to perform the Superintendent's duties. If such disability continues after the exhaustion of all sick leave and vacation time and one hundred eighty (180) additional days of temporary disability, or if such disability is permanent or irreparable as determined by the physician mutually acceptable to the Board and the Superintendent, or such disability is of

such a nature as to make performance of the Superintendent's duties impossible, the Board may, at its option, terminate this Contract, whereupon the respective rights, duties and obligations herein stated shall terminate.

VIII. Miscellaneous.

8.1 Controlling Law. This Contract shall be governed by the laws of the State of Texas and shall be performable in Tarrant County, Texas, unless otherwise provided by law.

8.2 Complete Contract. This Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement of the parties, except as expressly provided herein. All existing agreements and contracts, both verbal and written, between the parties hereto regarding the employment of the Superintendent have been superseded by this Contract, and this Contract constitutes the entire agreement between the parties, unless amended pursuant to the terms of this Contract.

8.3 Notice. Any notice required or permitted to be delivered hereunder shall be deemed to be delivered, whether or not actually received, when deposited in the United States Mail, postage pre-paid, certified mail, return receipt requested, addressed to either party, as the case may be, at the addresses contained herein.

8.4 Conflicts. In the event of any conflict between the terms, conditions, and provisions of this Contract and the provisions of the Board's policies, or any permissive state or federal law, then, unless otherwise prohibited by law, the terms of this Contract shall take precedence over the contrary provisions of the Board's policies or any such permissive law during the term of the Contract.

8.5 Legal Representation: Both Parties have been represented by legal counsel of their choice, or have had the opportunity to consult with legal counsel, in the negotiation and execution of this Contract.

8.6 Savings Clause. In the event any one or more of the provisions contained in this Contract shall, for any reason, be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this Contract shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

8.7 Multiple Originals. This Contract is executed in two (2) originals, one for the Board and one for the Superintendent, each of which shall constitute but one and the same instrument.

8.8 Notices.

To Superintendent: The Superintendent agrees to keep a current address on file with the District's Human Resources office and the Board President. The Superintendent agrees that the Board may meet any legal obligation it has to give the Superintendent written notice regarding this Contract or the Superintendent's

employment by hand-delivery, or by certified mail, regular mail, and/or express delivery service to the Superintendent's address of record.

To Board: The Board agrees that the Superintendent may meet any legal obligation to give the Board written notice regarding this Contract or the Superintendent's employment by providing one copy of the notice to the President of the Board and one copy to the Vice President of the Board. The Superintendent may provide such notices by hand delivery, or by certified mail, regular mail, and/or express delivery service, to the Board President and Vice President's addresses of record, as provided to the District.

MANSFIELD INDEPENDENT SCHOOL DISTRICT

BY: _____ **Date:** 8/14/13
Beth Light
President, Board of Trustees

ATTEST:

BY: _____ **Date:** 8/27/13
Terry Moore
Secretary, Board of Trustees

BY: _____ **Date:** 8/7/13
Dr. Jim Vaszauskas
Superintendent

Fig. A-2

MANSFIELD INDEPENDENT SCHOOL
Reimbursements Received by the Superintendent and
Board Members for Fiscal Year 2012

For the Twelve-month Period Ended August 31, 2012	Superin-tendent Dr. Bob Morrison	Board Member 1 Terry Moore	Board Member 2 Beth Light	Board Member 3 Dr. Michael Evans	Board Member 4 Raul Gonzalez	Board Member 5 Sandra Vatthauer	Board Member 6 Danny Baas	Board Member 7 Courtney Wilson
Description of Reimbursements								
Meals	$ 1,169	$ 85	$ 85	$ 0	$ 107	$ 45	$ 72	$ 223
Lodging	4,868	195	607	417	640	640	862	862
Transportation	2,938		188		189	383	179	178
Motor Fuel								
Other	2,385				53	50	75	75
Total	$11,360	$ 280	$ 880	$ 417	$ 989	$1,118	$ 1,188	$ 1,388

Fig. A-3

MANSFIELD INDEPENDENT SCHOOL DISTRICT
Outside Compensation and/or Fees Received by the Superintendent
for Professional Consulting and/or Other Personal Services in Fiscal Year 2012

For the Twelve-Month Period Ended August 31, 2012 Name(s) of Entity(ies)	
	$
Total	$

There was no outside compensation and/or fees received in the fiscal year ended August 31, 2012.

Fig. A-4
MANSFIELD INDEPENDENT SCHOOL DISTRICT
Gifts Received by the Executive Officer(s) and Board Members
(and First Degree Relatives, if any) in Fiscal Year 2012

	Superin-tendent	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
For the Twelve-Month Period Ended August 31, 2012	Dr. Bob Morrison	Terry Moore	Beth Light	Dr. Michael Evans	Raul Gonzalez	Sandra Vatthauer	Danny Baas	Courtney Wilson
Summary Amounts	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

There were no gifts received by any executive officer(s) or Board Member(s).

Fig. A-5
MANSFIELD INDEPENDENT SCHOOL DISTRICT
Business Transactions Between School District and Board Members
for Fiscal Year 2012

	Board Member 1	Board Member 2	Board Member 3	Board Member 4	Board Member 5	Board Member 6	Board Member 7
For the Twelve-Month Period Ended August 31, 2012	Terry Moore	Beth Light	Dr. Michael Evans	Raul Gonzalez	Sandra Vatthauer	Danny Baas	Courtney Wilson
Summary Amounts	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

There were no business transactions between the school district and its Board Members.

Fig. A-6
MANSFIELD INDEPENDENT SCHOOL DISTRICT SUMMARY
Summary Schedule of Data Submitted Under the
Financial Solvency Provisions of TEC §39.0822

A. General Fund – First Quarter Expenditures by Object Code

Report of 2012-2013 first-quarter GENERAL FUND expenditures by object code using whole numbers.

Payroll -	Expenditures for payroll costs	Object codes 6110-6149	$46,697,679
Contract Costs-	Expenditures for services rendered by firms, individuals, and other organizations	Object code series 6200	$ 2,970,643
Supplies and Materials	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds and facilities	Object code series 6300	$ 2,316,776
Other Operating	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	Object code series 6400	$ 1,785,832
Debt Service	Expenditures for debt service to Include principal, interest, and fees	Object code series 6500	$ -0-
Capital Outlay	Expenditures for land, buildings, and Equipment > $5,000 per item	Object code series 6600	$ 62,818

B. Districts with a September 1-August 31 fiscal year

Within the last two years, did the school district:

Check the Answer	**Yes**	**No**
Draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and		X
For the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?		X

C. Financial exigency disclosure:

Check the Answer	Yes	No
Has the school district declared financial exigency within the past two years?		X

D. Selected trend information.

Did the report supplemental comments or explanations for significant trends or measures involving:

Check the Answer	Yes	No
Student-to-staff ratios? MISD is within the parameters set by the state—no significant variances		X
Fund Balances in General Fund? MISD has sufficient balances.		X
Major construction projects? MISD has a bond program that is financing the new/replaced campuses	X	
Defaulted on any debts within past two years. MISD has not defaulted on any debts within the past two years.		X
Budget figures and projected revenues and expenditures?		X
Other?		

E. Superintendent:

How many superintendents has your school district had in the last five years?	2

F. Business Manager:

How many business managers has your school district had in the last five years?	4

GLOSSARY

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. General property taxes are almost invariably of this type. Ad valorem property taxes are based on ownership of the property, and are payable regardless of whether the property is used or not and whether it generates income for the owner (although these factors may affect the assessed value).

Adopted Tax Rate: The tax rate set by the school district to meet its legally adopted budget for a specific fiscal 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

Assessed Valuation: A valuation set upon real property or other property by a government as a basis for levying taxes.

Assigned Fund Balance: The assigned fund balance represents tentative plans for the future use of financial resources. Assignments require executive management (if approved per board policy to assign this responsibility to executive management) action to earmark fund balance for bona fide purposes that will be fulfilled within a reasonable period of time. The assignment and dollar amount for the assignment may be determined after the end of the fiscal year when final fund balance is known.

Auditing: Accounting documents and records must be audited annually by an independent auditor. TEA is charged with review of the independent audit of the local education agencies.

Beginning Fund Balance: The fund balance on the first day of a new fiscal year. For most school districts this is equivalent to the fund balance at the end of the previous fiscal year.

Budget: The projected financial data for the current school year. Budget data are collected for the General Fund, Food Service Fund, and Debt Service Fund.

Budgeting: Not later than August 20th of each year, the superintendent (or designee) must prepare a budget for the school district if the fiscal year begins on September 1st. (For those districts with fiscal years beginning July 1, this date would be June 19.) 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 the object, Capital Outlay. The amount spent on acquisitions, construction, or major renovation of school district facilities are reported under the function, Capital Outlay.

Capital Project Funds: Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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: Resources are recovered for the purpose of sharing them with low-wealth districts.

Committed Fund Balance: The committed fund balance represents constraints made by the board of trustees for planned future use of financial resources through a resolution by the board, for various specified purposes including commitments of fund balance earned through campus activity fund activities. Commitments are to be made as to purpose prior to the end of the fiscal year. The dollar amount for the commitment may be determined after the end of the fiscal year when final fund balance is known.

Comptroller Certified Property Value: The District's total taxable property value as certified by the Comptroller's Property Tax Division (Comptroller Valuation) and used for state funding purposes.

Debt Service: The function, Debt Service, is a major functional area that is used for expenditures that are used for the payment of debt principal and interest. Expenditures that are for the retirement of general obligation bonds, capital lease principal, and other debt, related debt service fees, and for all debt interest fall under this function. The object, Debt Service, covers all expenditures for debt service.

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.

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

Effective Tax Rate: Represents the tax rate which generates the same revenue as in the previous year, using current year property values.

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

Excess (Deficiency): Represents receivables due (excess) or owed (deficiency) at the end of the school year.

Existing Debt Allotment (EDA): Is the amount of state funds to be allocated to the District for assistance with existing bonded indebtedness.

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.

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: 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 (FTE) 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.

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 Weighted Average Daily Attendance (WADA) on the purchase of attendance credits either from the state or from other school district(s).

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.

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.

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.

Local Tax: This is all revenues from local real and personal property taxes, including recaptured funds from 1) Contracted Instructional Services Between Public Schools and 2) Incremental Costs associated with Chapter 41 of the Texas Education Code.

M&O Tax Rate: The tax rate calculated to provide the revenues needed to cover Maintenance & Operations (M&O). M&O includes such things as salaries, utilities, and day-to-day operations.

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

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

- Assets
- Liabilities
- Fund Balances
- Revenue
- Expenditures/Expenses
- Other Resources/NonOperating Revenue/Residual Equity Transfers In
- Other Uses/NonOperating Revenue/Residual Equity Transfers Out

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

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

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

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

- Revenues Realized as a Result of Services Rendered to Other School Districts
- 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.

Other Resources: Non-operating revenues received, sale of property, bonds issued or residual equity transfers in.

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).

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. *(NOTE: Payroll amounts do not include salaries for contract workers employed by outsource companies, e.g., for child nutrition and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)*

PEIMS: Public Education Information Management System, 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.

Property/Refined ADA: The District's Comptroller Property Value divided by its total Refined Average Daily Attendance (RADA).

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

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

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

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

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

Robin Hood Funds: See Wealth Equalization Transfer.

Rollback Tax Rate: Provides the District with approximately the same amount of tax revenue it received the previous year for day-to-day operations plus a 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. The rollback rate is that rate which is necessary to generate the same amount of state and local funds per WADA as was available to the District in the preceding school year, using estimated WADA for the upcoming year, plus six cents, plus the current year's debt rate. If the District adopts a tax rate in excess of the calculated rollback rate, it results in an automatic election.

School Year: The twelve months beginning July 1 of one year and ending June 30 of the following year or beginning September 1 and ending August 31. 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 TEA, other state agencies, shared services arrangements, or allocated on the basis of state laws relating to the Foundation School Program Act.

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

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

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

WADA: 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 (sometimes referred to as Robin Hood Funds).