

**Annual Financial Accountability
Management Report**

For the Year Ending August 31, 2021



**Dr. Karen Engle - Interim Superintendent of Schools
Alice Benzaia, CPA, RTSBA - Chief Financial Officer
Jeff Kohlenberg, CPA, RTSBA - Controller**

Table of Contents

Introduction.....	2
Overview of the Worksheet	2
Critical Indicators.....	3
Solvency Indicators.....	3
Financial Competence Indicators.....	4
Financial Accountability Ratings Worksheet	5
Other Data Concerning the District’s Operations.....	9
Financial Strength	9
Operating Cost Management	9
Administrative Cost Ratio.....	11
Personnel Management.....	11
Debt Management.....	11
Cash Management.....	12
Tax Collections	12
Budgetary Planning & Financial Allocations	12
Financial Reporting Awards	13
Reporting Requirements for Superintendent and Board of Trustees	14
Superintendent Outside Compensation.....	14
Executive Officers and Board of Trustees Gifts.....	14
Superintendent and Board of Trustees Travel Expenditures	14

Clear Creek Independent School District Annual Financial Accountability Management Report

Introduction

This is the 20th year of School FIRST (Financial Integrity 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 and amendments under House Bill 5, 83rd Texas Legislature, Regular Session, 2013. The primary goal of School FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system. As part of School FIRST, each school district must prepare an annual financial accountability report after receipt of their School FIRST rating.

The School FIRST accountability rating ensures that Texas school districts are accountable not only for student learning, but also for achieving these results cost effectively and efficiently. The information provided by the School FIRST system will guide us in our continued efforts to maximize each taxpayer dollar.

The Texas Education Agency assigns one of four financial accountability ratings to Texas school districts, with the highest being "A" for Superior Achievement, followed by "B" for Above-Standard Achievement, "C" for Standard Achievement and "F" for Substandard Achievement. For 2020-2021 Clear Creek ISD received a rating of Above Standard Achievement.

Overview of the Worksheet

The reporting tool for School FIRST is the Financial Accountability Ratings Worksheet. This worksheet was developed by representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO). It is administered by the TEA and calculated on information submitted to the Agency via our PEIMS submission in January each year upon completion and approval of the annual external audit.

This worksheet consists of 20 indicators broken into three categories: Critical, Solvency and Financial Competence.

Critical Indicators

Indicators #1 through #5 are the critical indicators. Any No response in this category is an indicator of fiscal distress and automatically results in a failure of FIRST. Accordingly, these indicators are of utmost importance. These five indicators revolve around:

- # 1 - Timely filing of the Annual Financial Report (AFR)
- # 2 - Auditor opinion with no unmodified opinion
- # 3 - Compliance with the payment terms of all debt agreements
- # 4 - Timely payment of all payroll taxes
- # 5 - Total net assets greater than zero (not scored in 2020-2021)

Clear Creek ISD easily passed all the critical indicators.

Solvency Indicators

Indicators #6 through #14 concern the solvency of Clear Creek ISD. These nine indicators focus on:

- # 6 - Fund balance
- # 7 - Cash and investments on hand
- # 8 - Current asset to current liability ration
- # 9 - Revenue compared to expenditures
- #10 - Budgeted to actual revenue variance
- #11 - Long-term liability to total asset ratio
- #12 - Debt service coverage ratio
- #13 - Administrative cost ratio
- #14 - Student to staff ratio

Clear Creek ISD scored the maximum points on Indicator #6, #9, #10, #13, and #14.

On Indicator #7 which measures cash and investments on hand in the general fund enough to cover operating expenditures, we scored 8 out of 10 points.

On Indicator #8 which measures current assets to current liabilities to determine if a school district has enough short-term assets at the end of the fiscal year to pay off short-term liabilities, we scored 6 out of 10 points.

On Indicator #11 which looks at long term liabilities and compares it to total assets, we scored 4 out of 10 points due to the amount of long-term debt which is a result of continued enrollment growth resulting in the need for more facilities. Clear Creek ISD has a ratio of .815.

On Indicator #12 which looks at debt ratio to support future debt repayments, we scored 8 out of 10 points.

Financial Competence Indicators

Indicators #15 through #20 identify if there are any serious deficiencies in the financial management of the District. These six indicators focus on:

- #15 - Submission of accurate ADA pupil projections to TEA
- #16 - Quality of Public Education Information Management System (PEIMS) financial data compared to the Annual Financial Report (AFR) result in less than a 3% variance
- #17 - Instances of material weakness in internal controls noted by the external independent auditor
- #18 - Instance(s) of material noncompliance noted by the external independent auditor
- #19 - Required financial information posting
- #20 - Meeting requirement of public board meeting to discuss property values

Clear Creek ISD met all six of these indicators. The district submitted accurate pupil projections to TEA, PEIMS data submitted as compared to the AFR resulted in .00007% variance and the AFR noted no instance of material noncompliance or weakness in internal controls. All required financial information is posted on the website in accordance with guidelines, and the school board members held a required public meeting to discuss the district's property value.

**Financial Accountability Ratings Worksheet
2021-2022 Ratings Based on School Year 2020-2021 Data**

Name: CLEAR CREEK ISD(084910)		Publication Level 1: 8/2/2022 2:05:39 PM	
Status: Passed		Publication Level 2: 8/4/2022 12:15:48 PM	
Rating: B = Above Standard Achievement		Last Updated: 8/4/2022 12:15:48 PM	
District Score: 86		Passing Score: 70	
#	Indicator Description	Updated	Score
1	<u>Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</u>	7/12/2022 8:35:00 AM	Yes
2	<u>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</u>	5/16/2022 10:59:43 AM	Yes
3	<u>Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u>	5/16/2022 10:59:43 AM	Yes
4	<u>Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments and will fail critical indicator 4. If the school district was issued a warrant hold, the maximum points and highest rating that the school district may receive is 95 points, A = Superior Achievement, even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days.)</u>	5/16/2022 10:59:44 AM	Yes Ceiling Passed
5	This indicator is not being scored.		

			1 Multiplier Sum
6	<u>Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures? (If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	5/17/2022 9:44:21 AM	Ceiling Passed
7	<u>Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? See ranges below in the Determination of Points section.</u>	5/16/2022 10:59:45 AM	8
8	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? See ranges below in the Determination of Points section.</u>	5/16/2022 10:59:45 AM	6
9	<u>Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days? See ranges below in the Determination of Points section.</u>	5/16/2022 10:59:46 AM	10
10	This indicator is not being scored.		10
11	<u>Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? If the school district's increase of students in membership over 5 years was 7 percent or more, then the school district automatically passes this indicator. See ranges below in the Determination of Points section.</u>	5/16/2022 10:59:48 AM	4
12	<u>Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? See ranges below in the Determination of Points section.</u>	5/16/2022 10:59:48 AM	8
13	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? See ranges below in the Determination of Points section.</u>	6/9/2022 10:55:52 AM	10
14	<u>Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? If the student enrollment did not decrease, the school district will automatically pass this indicator.</u>	5/16/2022 10:59:50 AM	10
15	This indicator is not being scored.		5

16	<u>Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	5/16/2022 10:59:51 AM	Ceiling Passed
17	<u>Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.)</u>	5/16/2022 10:59:51 AM	Ceiling Passed
18	<u>Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)</u>	5/16/2022 10:59:52 AM	10
19	<u>Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?</u>	5/16/2022 10:59:52 AM	5
20	<u>Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	5/16/2022 10:59:53 AM	Ceiling Passed
			86 Weighted Sum
			1 Multiplier Sum
			(100 Ceiling)
			86 Score

Determination Of Rating

A.	Did the school district fail any of the critical indicators 1, 2, 3, or 4? If so, the school district's rating is F for Substandard Achievement regardless of points earned.	
B.	Determine the rating by the applicable number of points.	
	A = Superior Achievement	90-100
	B = Above Standard Achievement	80-89
	C = Meets Standard Achievement	70-79
	F = Substandard Achievement	<70
<p>No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.</p> <p>The school district receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, or 4, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis.</p>		

Ceiling Indicators

<p>Did the school district meet the criteria for any of the following ceiling indicators 4, 6, 16, 17, or 20? If so, the school district's applicable maximum points and rating are disclosed below. Please note, an F = Substandard Achievement Rating supersedes any rating earned as the result of the school district meeting the criteria of a ceiling indicator.</p>		
Determination of rating based on meeting ceiling criteria.	Maximum Points	Maximum Rating
Indicator 4 (Timely Payments) - School district was issued a warrant hold.		A = Superior Achievement
Indicator 6 (Average Change in Fund Balance) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 16 (PEIMS to AFR) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 17 (Material Weaknesses) - Response to indicator is <i>No</i> .	79	C = Meets Standard Achievement
Indicator 20 (Property Values and Tax Discussion) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement

Other Data Concerning the District's Operations

The purpose of this section of the report is to discuss other aspects of our business operations not covered by the worksheet but suggested by law as indicators of significance meriting discussion. We should view the worksheet as a good basic tool with which to assess our primary business practices. However, we should not stop there. We should always be working towards improvement in all aspects of our operation to maximize funds available to campuses for educational purposes and to our ancillary departments that support our campuses.

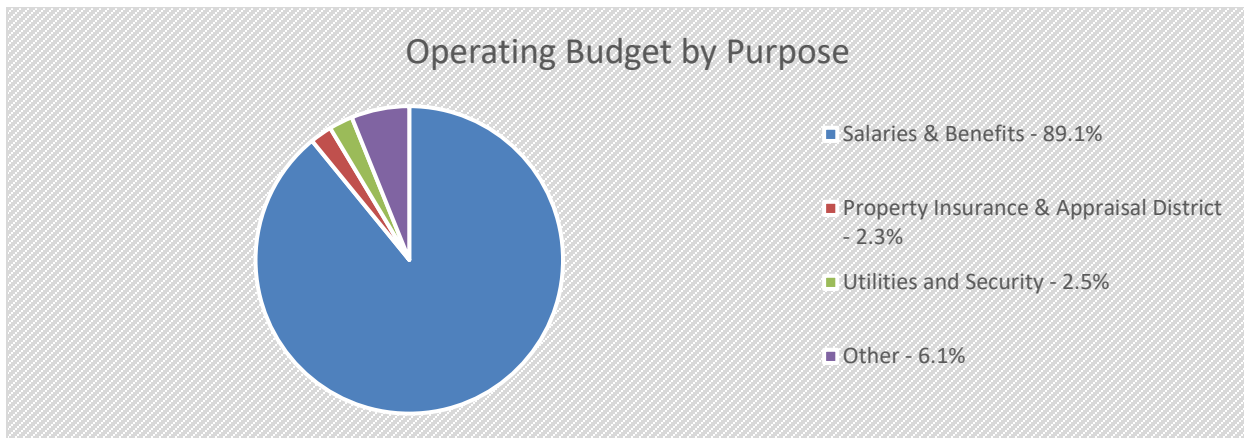
Below is a review of several business practices not covered by the Financial Accountability Worksheet directly but that we feel are worthy of notation.

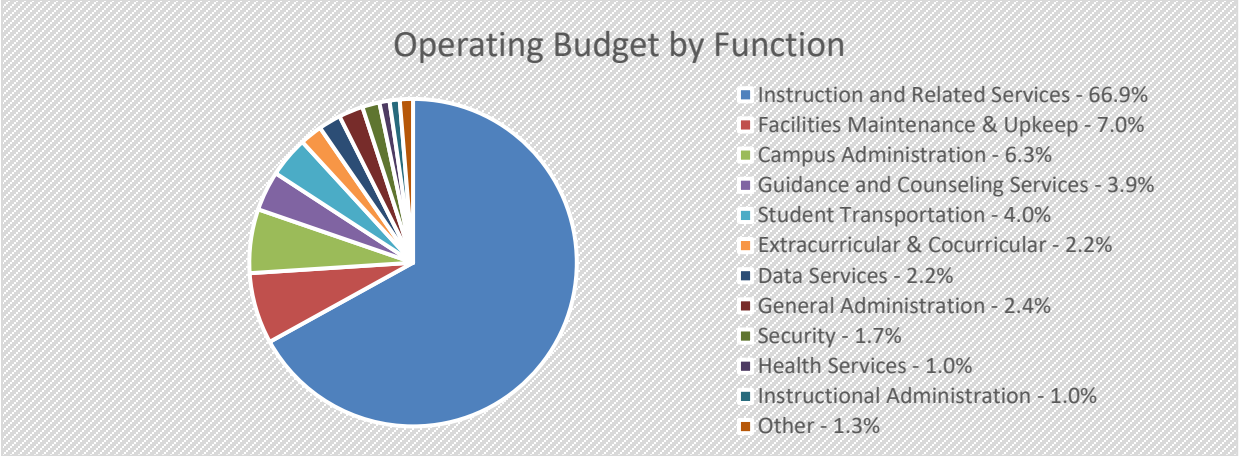
Financial Strength

The State of Texas recommends that we discuss financial strength in this report. This is a difficult topic to address because there are many measures of financial strength, some are better than others, and it's hard to tell which one is the best measure. For Clear Creek ISD, we believe the most significant indicator of financial strength is our ability to maintain two months unassigned fund balance which is a level sufficient to avoid the need to borrow funds to cover operating shortfalls prior to tax collections beginning in November and December each year. As of August 31, 2021, CCISD's unassigned balance was \$70,490,100 which was slightly more than two months of the 2021-2022 adopted budget.

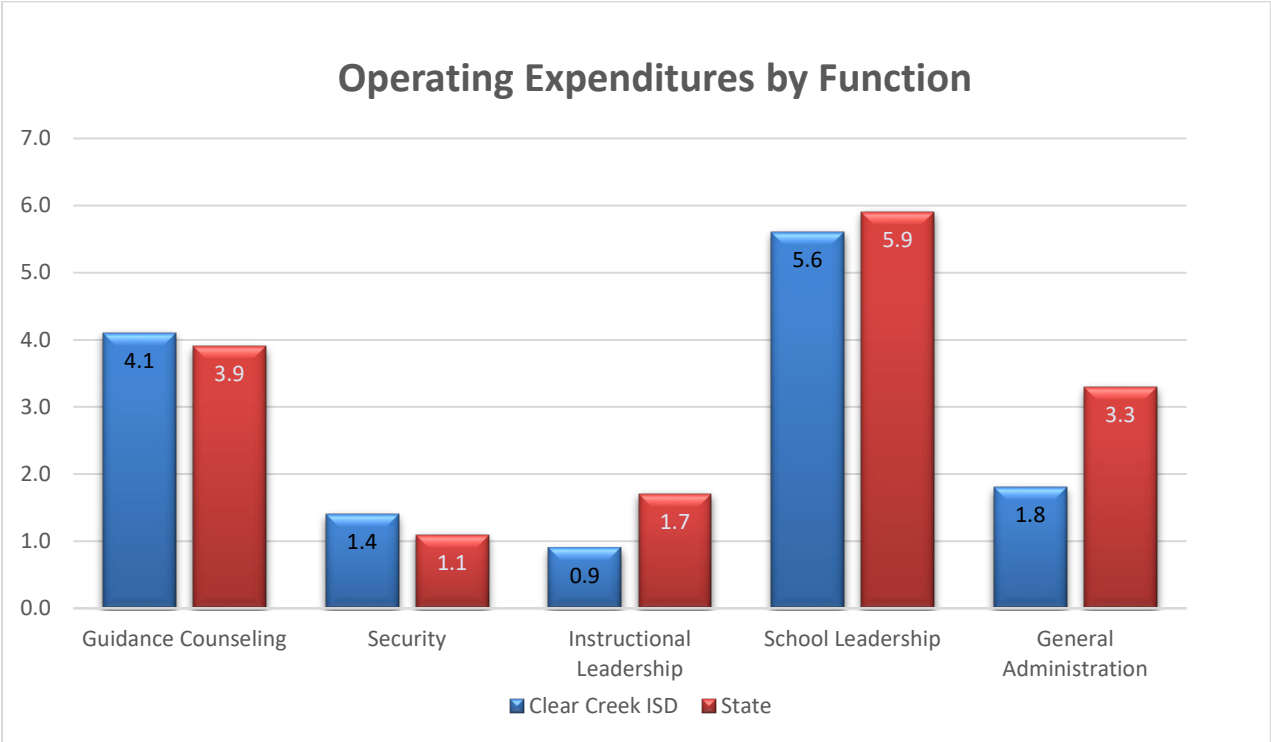
Operating Cost Management

As illustrated below, only a small portion of our total General Fund expenditures is flexible or variable in nature. Appraisal district fees, payroll costs, property insurance, and utility payments account for approximately 93.9% of the District's operating budget each year. Once you remove these four large expenditures from the operating budget, you are left with only a small portion of the budget that covers all other expenditures of the District. The charts below illustrate the breakdown of the operating budget.



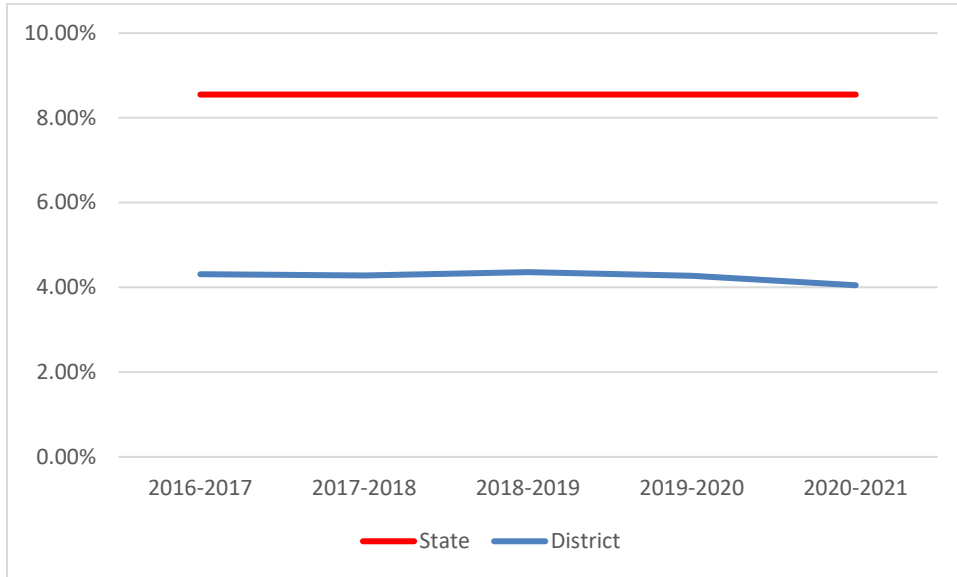


Another measure the state of Texas uses to indicate operating efficiency is to compare district to state information by function. Clear Creek ISD's commitment to instruction is demonstrated by spending 61.84% on direct classroom instruction as compared to the state average of 57.25%. The commitment to guidance counseling services and security is evident in the chart below as well as the district's ongoing diligence to keeping administrative costs below state averages.



Administrative Cost Ratio

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.



Personnel Management

The District's longstanding personnel goal is to attract and retain qualified staff, and to offer a competitive salary and benefit package to all employees. Each year, we have offered a competitive total compensation package to all our staff. Second only to our students' welfare and education, attracting and retaining a quality staff has been a priority for Clear Creek ISD.

Debt Management

The district uses 25 years or less for repayment of bonds for construction of facilities, even though the life of the building to be built is much longer. In no instance does the district finance bonds for a longer period than the life expectancy of the capital improvement. The repayment timelines for technology bonds are parallel to the minimal life expectancy of the equipment.

As our district continues to face the many challenges associated with rapid growth and aging facilities, our Board of Trustees unanimously called for a \$487 million bond referendum on May 6, 2017, which passed with a 64% approval rate. The bond program allowed us to build Florence Campbell Elementary School, rebuild two schools that were well over 50 years old while simultaneously updating other campuses to bring them up to today's learning standards, replace dangerous playgrounds, purchase new security systems, and school buses, launch a second science magnet program at Brookside Intermediate, and conduct priority repairs and projects across CCISD. At the time of the bond referendum, it was projected to cost an additional 3.5 cents on the

Interest and Sinking (I&S) tax rate. However, due to continued construction and value growth, we have lowered the I&S tax rate 7.0 cents.

The District continually monitors outstanding debt and takes opportunities to reduce interest costs when available. Over the last 20 years, Clear Creek ISD has refinanced debt which has saved taxpayers nearly \$67.9 million in interest over the life of the bonds.

Cash Management

Clear Creek ISD has state and local board policies that require us to invest funds with six objectives in mind. In order of importance, they are suitability, safety, liquidity, marketability, diversity and yield. State and local policy specify what types of securities can be purchased. Clear Creek ISD does not purchase investments that fall outside these policy restrictions. We strive to maintain diversity in our portfolio, balancing cash in money market pools and directly owned securities such as Treasury Bills and other government agency issues. Each quarter we benchmark our portfolio's yield to the three- and six-month Treasury Bill rates, the Federal Funds rate and the Jumbo CD rate. We use these as a comparison only to determine if our portfolio is yielding a comparable market rate of return each quarter. A Cash & Investment Report is included quarterly in the Board of Trustees meeting agenda for review and approval.

Tax Collections

Although the current worksheet no longer addresses tax collections, we felt that mention was warranted since 66.7% of the District's operating revenue came from local property taxes during 2020-2021. The District has its own Tax Office and current year collection rates historically exceed 99%. Collection rates for the last four years are as follows:

For Fiscal Year Ended	Current Year Tax Collections
8/31/2018	99.3%
8/31/2019	99.2%
8/31/2020	99.2%
8/31/2021	99.2%

Budgetary Planning & Financial Allocations

The District's budget process usually begins in the fall each year with the Board setting budget goals. In early spring budget allocations are developed for each campus and department and budget manual is updated for the new year and distributed to all budget managers and bookkeepers.

Most school districts have some rational basis for allocating funds to campuses and operating departments. In Clear Creek ISD, we allocate funds to campuses based on the number of students

projected to attend that campus the following year. Once PEIMS enrollment is known, campus budgets are adjusted based on actual enrollment. Support departments get funds based on their previous year's budget adjusted (up or down) for future years' needs. Special project requests for amounts supplemental to allocations are considered individually each year.

By April, we begin attempting to calculate state and local tax revenues and the budget starts to take on some form. For teacher recruiting purposes, the optimal time for making a public salary decision is March but often is done in June or July. A five-year long-range financial plan, which is reviewed with the Board periodically, is updated throughout the year. By the end of May we are able to give the Board and the public a preliminary view of how the next year's budget looks. May through July are busy months budget-wise, with Board workshops and meetings with the District's Finance Committee. 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. In odd-numbered years, the legislature is in session, and that complicates and delays our budgeting process.

Our budget process is a proactive and highly participatory one, where 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 to a certain degree. We call it site-based decision making and it's our version of campus empowerment. Most importantly, it is a system that works best in the long run for all of us by allocating resources where they are needed, even when those needs change.

Financial Reporting Awards

Government Finance Officers Association (GFOA)

Certificate of Achievement for Excellence in Financial Reporting

Association of School Business Officials International (ASBO)

Certificate of Excellence in Financial Reporting

Reporting Requirements for Superintendent and Board of Trustees

Superintendent Outside Compensation

Eric Williams, Ph.D. did not receive any outside compensation or fees for professional consulting or other personal services for the twelve-month period ended August 31, 2021.

Executive Officers and Board of Trustees Gifts

Executive Officers and Board Members did not receive gifts that had an economic value of \$250 or more in aggregate for the twelve-month period ended August 31, 2021.

Superintendent and Board of Trustees Travel Expenditures

For the twelve-month period ended August 31, 2021

	<u>Eric Williams</u>	<u>Scott Bowen</u>	<u>Jennifer Broddle</u>	<u>Jay Cunningham</u>
Meals	407.75	0.00	0.00	0.00
Lodging	1,517.52	0.00	0.00	0.00
Transportation	3,039.49	0.00	0.00	0.00
Registration	345.00	325.00	375.00	325.00
Other	0.00	0.00	0.00	0.00
Total	<u>5,309.76</u>	<u>325.00</u>	<u>375.00</u>	<u>325.00</u>

	<u>Laura DuPont</u>	<u>Arturo Sanchez</u>	<u>Win Weber</u>	<u>Michelle Davis</u>
Meals	0.00	0.00	0.00	0.00
Lodging	0.00	0.00	0.00	0.00
Transportation	0.00	0.00	0.00	0.00
Registration	325.00	375.00	325.00	275.00
Other	0.00	0.00	0.00	0.00
Total	<u>325.00</u>	<u>375.00</u>	<u>325.00</u>	<u>275.00</u>