

# 2020 ANNUAL FINANCIAL MANAGEMENT REPORT

*Fiscal Year Ended June 30, 2020*



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# FIRST Report



## INTRODUCTION

The Financial Accountability Rating System of Texas (Schools FIRST) was developed by the Texas Education Agency (TEA) in response to Senate Bill 875 of the 76<sup>th</sup> Texas Legislature in 1999. It is administered by TEA and calculated on information submitted to TEA via our Public Education Information Management System (PEIMS) submission each year.

During the 77<sup>th</sup> regular session of the Texas Legislature in 2001, Senate Bill 218 was passed and signed into law by Governor Perry shortly thereafter. This law requires each school district to prepare an annual financial accountability report, within two months of receiving the official ratings. The primary goal of Schools 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.

The primary objective of the rating system is to assess the quality of financial management in Texas public schools. A secondary objective is to measure and report the extent to which financial resources in Texas public schools assure the maximum allocation possible for direct instructional purposes. Other objectives reflect the implementation of a rating system that fairly and equitably evaluates the quality of financial management decisions.

Major changes to the Schools FIRST system were implemented by the TEA in August 2015 that combined financial indicators with financial solvency indicators, in accordance with House Bill 5 of the 83<sup>rd</sup> Texas Legislature in 2013. The changes to the Schools FIRST system implemented by the TEA in August 2015 were phased-in over three years. The Commissioner of Education made several changes to School FIRST in the Texas Administrative Code beginning with ratings year 2020-2021. The Schools FIRST rating system for the rating year 2020-2021 (based on 2019-2020 data) consists of 20 base indicators of which one indicator was not scored by the TEA.

The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts: "A" for "Superior"; "B" for "Above Standard"; "C" for "Meets Standard"; and "F" for "Substandard Achievement." Districts that receive the "Substandard Achievement" ratings under Schools FIRST must file a corrective action plan with the TEA.

Within two months after receipt of the final Schools FIRST rating, each school district must announce and hold a public hearing to distribute a financial management report that explains the District's performance under each of the 20 base indicators and the District's rating. Besides covering the results from the Schools FIRST accountability rating system, this report covers other business-related issues including discussion of the District's financial position. A glossary is added to provide additional explanations of terms used in the report and in financial discussions.

This is the 19<sup>th</sup> year of the Schools FIRST rating system. Cypress-Fairbanks Independent School District currently has a rating of "**Superior**" for the 2019-2020 fiscal year, with 18 out of 20 indicators receiving the highest possible number of points. The District has achieved the highest rating for all of the previous years. This report briefly focuses on the details of what the District has accomplished to obtain this highest rating.

**Financial Accountability Ratings Worksheet****School Year 2019-2020****Fiscal Year Ended June 30, 2020****County District #101-907****District Name: Cypress-Fairbanks ISD****Rating: A = Superior**

	<b>Indicator Description</b>	<b>Score</b>
1	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?	Yes
2	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.)	Yes
3	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.)	Yes
4	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 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.)	Yes  Ceiling Passed
5	This indicator is not being scored by TEA.	

	<b>Indicator Description</b>	<b>Score</b>
6	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.)	Ceiling Passed
7	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 on page 6.)	10
8	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges on page 6.)	10
9	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?	10
10	Did the school district average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?	10
11	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 on page 6.)	4
12	Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? (See ranges on page 6.)	8
13	Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges on page 6.)	10
14	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.	10
15	Was the school district's ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections? (See ranges on page 6.)	5

	<b>Indicator Description</b>	<b>Score</b>
16	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.)	Ceiling Passed
17	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.)	Ceiling Passed
18	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.)	10
19	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?	5
20	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.)	Ceiling Passed
		<b>92</b> <b>Score</b>



## DETERMINATION OF RATING

<b>A.</b>	Did the school district fail any of the critical indicators 1, 2, 3, or 4? If so, the school district's rating is <b>F for Substandard Achievement</b> regardless of points earned.	
<b>B.</b>	Determine the rating by applicable number of points.	
	<b>A = Superior Achievement</b>	90 - 100
	<b>B = Above Standard Achievement</b>	80 - 89
	<b>C = Meets Standard Achievement</b>	70 - 79
	<b>F = Substandard Achievement</b>	<70
<p><b>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 annexation/consolidation.</b></p> <p>The school district receives an <b>F</b> 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 <b>ceiling indicators</b> 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>		
<b>Determination of rating based on meeting ceiling criteria.</b>	<b>Maximum Points</b>	<b>Maximum Rating</b>
<b>Indicator 4</b> (Timely Payments) - School district was issued a warrant hold.	95	A = Superior Achievement
<b>Indicator 6</b> (Average Change in Fund Balance) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
<b>Indicator 16</b> (PEIMS to AFR) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
<b>Indicator 17</b> (Material Weaknesses) - Response to indicator is <i>No</i> .	79	C = Meets Standard Achievement
<b>Indicator 20</b> (Property Values and Tax Discussion) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement

## RESULT DETERMINATION REFERENCE

Indicator 7		DETERMINATION OF POINTS			
10	8	6	4	2	0
$\geq 90$	$< 90 \geq 75$	$< 75 \geq 60$	$< 60 \geq 45$	$< 45 \geq 30$	$< 30$

Indicator 8		DETERMINATION OF POINTS			
10	8	6	4	2	0
$\geq 3.00$	$< 3.00 \geq 2.50$	$< 2.50 \geq 2.00$	$< 2.00 \geq 1.50$	$< 1.50 \geq 1.00$	$< 1.00$

Indicator 11		DETERMINATION OF POINTS			
10	8	6	4	2	0
$\leq 0.60$	$> 0.60 \leq 0.70$	$> 0.70 \leq 0.80$	$> 0.80 \leq 0.90$	$> 0.90 \leq 1.00$	$> 1.00$

Indicator 12		DETERMINATION OF POINTS			
10	8	6	4	2	0
$\leq 4$	$> 4 \leq 7$	$> 7 \leq 10$	$> 10 \leq 11.5$	$> 11.5 \leq 13.5$	$> 13.5$

Indicator 13		DETERMINATION OF POINTS				
ADA Size	10	8	6	4	2	0
10,000 and above	$\leq 0.0855$	$> 0.0855$ $\leq 0.1105$	$> 0.1105$ $\leq 0.1355$	$> 0.1355$ $\leq 0.1605$	$> 0.1605$ $\leq 0.1855$	$> 0.1855$
5,000 to 9,999	$\leq 0.1000$	$> 0.1000$ $\leq 0.1250$	$> 0.1250$ $\leq 0.1500$	$> 0.1500$ $\leq 0.1750$	$> 0.1750$ $\leq 0.2000$	$> 0.2000$
1,000 to 4,999	$\leq 0.1151$	$> 0.1151$ $\leq 0.1401$	$> 0.1401$ $\leq 0.1651$	$> 0.1651$ $\leq 0.1901$	$> 0.1901$ $\leq 0.2151$	$> 0.2151$
500 to 999	$\leq 0.1311$	$> 0.1311$ $\leq 0.1561$	$> 0.1561$ $\leq 0.1811$	$> 0.1811$ $\leq 0.2061$	$> 0.2061$ $\leq 0.2311$	$> 0.2311$
Less than 500	$\leq 0.2404$	$> 0.2404$ $\leq 0.2654$	$> 0.2654$ $\leq 0.2904$	$> 0.2904$ $\leq 0.3154$	$> 0.3154$ $\leq 0.3404$	$> 0.3404$
Sparse	$\leq 0.3364$	$> 0.3364$ $\leq 0.3614$	$> 0.3614$ $\leq 0.3864$	$> 0.3864$ $\leq 0.4114$	$> 0.4114$ $\leq 0.4364$	$> 0.4364$

Indicator 15		DETERMINATION OF POINTS	
ADA Size		5	0
10,000 and above		$\leq 0.07$	$> 0.07$
5,000 to 9,999		$\leq 0.10$	$> 0.10$
1,000 to 4,999		$\leq 0.20$	$> 0.20$
500 to 999		$\leq 0.25$	$> 0.25$
Less than 500		$\leq 0.30$	$> 0.30$
Sparse		$\leq 0.35$	$> 0.35$

## DISCUSSION OF BASE INDICATORS

- 1. Was the complete Annual Financial Report (AFR) and data submitted to the Texas Education Agency (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?**

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

Cypress-Fairbanks ISD met all reporting requirements set by the TEA.

- 2. 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.)**

A "modified" opinion to the independent auditors' report on the fair presentation of the financial statements indicates that there exists one or more specific exceptions to the auditors' general assertion that the financial statements are fairly presented.

Cypress-Fairbanks ISD obtained an unmodified audit opinion. This indicates that the District's records were in good condition and fairly present the District's financial position.

- 3. 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.)**

This indicator is used to make certain that the District has made all debt/obligation payments based on the agreed upon financing terms.

Cypress-Fairbanks ISD has met this requirement.

**4. 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?**

This indicator seeks to ensure the District fulfilled its obligation to the TRS, TWC and IRS to transfer payroll withholding and to fulfill any additional payroll related obligations required to be paid by the District.

Cypress-Fairbanks ISD fulfilled all payroll obligations to the TRS, TWC and IRS.

**5. This indicator is not being scored by TEA due to the impact of accounting changes implemented by the Governmental Accounting Standards Board.**

**6. Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current years 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.)**

This indicator measures the percentage change in fund balance to see whether the fund balance is declining too quickly, and if it is declining, whether sufficient fund balance remains to operate for at least 75 days.

Cypress-Fairbanks ISD had an average change in fund balance over 3 years of 6.7% and the current year's assigned and unassigned fund balance was \$512,901,178, which exceeded the 75-day requirement of \$198,292,392.

**7. 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)?**

This indicator measures how long in days after the end of the fiscal year the District could have disbursed funds for its operating expenditures without receiving any new revenues.

Cypress-Fairbanks ISD had 205.92 days of cash on hand and current investments which exceeds the target amount to meet operating expenditures.

**8. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?**

This indicator measures whether the District had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities.

Cypress-Fairbanks ISD's current assets to current liabilities ratio was 4.1505 which exceeds the target amount to cover short-term debt.

**9. 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?**

This indicator measures whether the District spent more than it earned.

Cypress-Fairbanks ISD had 205.92 days of cash on hand for the reporting year.

**10. Did the school district average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?**

This indicator measures how accurately the district forecast projected revenue by comparing budgeted revenue submitted through PEIMS in October of the fiscal year to actual revenue submitted after the close of the fiscal year.

Cypress-Fairbanks ISD had a variance of 1.3% when comparing budgeted revenues to actual revenues for the last 3 fiscal years.

**11. 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 passes this indicator.)**

This indicator measures the ratio of long-term liabilities to total assets.

Cypress-Fairbanks ISD had a ratio of 0.836.

**12. Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?**

This indicator asks about the school district’s ability to make debt principal and interest payments.

Cypress-Fairbanks ISD’s debt per \$100 of assessed property value ratio was 5.5318.

**13. Was the school district’s administrative cost ratio equal to or 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 2019-20 fiscal year to receive the maximum points for this indicator was 8.55% for districts with a student population greater than 10,000. Cypress-Fairbanks ISD maintained an administrative cost ratio of 3.67% and met this requirement.

**14. 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.)**

This indicator measures whether staff decreased in proportion to a decrease in students.

Cypress-Fairbanks ISD had a 2.2% decline in the student to staff ratio over a 3 year reporting period, which is below the maximum threshold.

**15. Was the school district's ADA within the allotted range of the district's biennial pupil projections(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections?**

This indicator measures how well the district was able to project average daily attendance for the coming biennium for payment purposes.

The allowable variance in projected ADA set by TEA for the 2019-2020 fiscal year to receive maximum points for the indicator was 7% for districts with a student population greater than 10,000. The Cypress-Fairbanks ISD's average daily attendance was within 1.22% of what was projected and reported to TEA.

**16. 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?**

This indicator measures the quality of data reported to PEIMS and in the District's AFR 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%.

Cypress-Fairbanks ISD met this requirement with a variance level of 0%.

**17. 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.)**

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

Cypress-Fairbanks ISD met this requirement by having no disclosure of any material weaknesses in internal controls.

**18. 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.)**

This indicator measures whether the district is complying with laws, rules and regulations related to the expenditure of grant funds, contracts, and other state and federal funds.

Cypress-Fairbanks ISD met this requirement.

**19. 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?**

This indicator measures whether the district is complying with legal requirements related to financial transparency by posting all required information.

Cypress-Fairbanks ISD met this requirement.

**20. Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget?**

This indicator measures whether the school board had the opportunity to consider the impact of changes in property value on the finances of the district.

Cypress-Fairbanks ISD met this requirement.

# Other Information





## 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 of the coronavirus pandemic and minimal funding from the state, the District has weathered the pandemic and the public school finance crisis 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 large suburban 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.

<u>Year</u>	<u>Threshold</u>	<u>District Actual</u>
15-16	8.55%	3.78%
16-17	8.55%	3.79%
17-18	8.55%	3.86%
18-19	8.55%	3.77%
19-20	8.55%	3.67%

### 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 and Retention Program. Attracting and retaining a quality teaching staff is always a priority for Cypress-Fairbanks ISD.

### Debt Management

The taxpayers of the District authorized a \$713 million bond program in December 2004, an \$807 million bond program in November 2007, an \$1.2 billion bond program in May 2014, and an \$1.762 billion bond program in May 2019. These bond programs were authorized to fund construction of new schools, renovate existing facilities, purchase buses and enhance technology and security district-wide. On June 30, 2020, the total debt outstanding from general obligation and refunding bonds was \$2,844,780,000 with interest rates ranging from 0.00% - 5.41% and maturities until 2044. 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 June 30, 2020 the District completed construction of a new middle school that opened in August 2020. Construction efforts then turned to continued renovation of existing facilities and a new elementary campus set to open in August of 2022. 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.

<u>Year</u>	<u>Collection Rate</u>
15-16	99.58%
16-17	99.88%
17-18	99.89%
18-19	99.68%
19-20	98.33%

### **Cash Management**

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, Federal Instrumentality Securities, U.S. Treasury Bonds, and commercial paper. 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 April, calculations of state and local tax revenues are completed and the budget starts to take on some form. May 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 June.

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, Weaver and Tidwell, 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 four criteria.

For the fiscal year ended June 30, 2020, the District received an "unmodified" opinion with no reportable conditions or material weaknesses.

### **Awards and Recognitions**

Cypress-Fairbanks ISD prides itself in its professional and proper handling of its internal accounting procedures and financial reporting abilities. The District has been awarded the Certificate of Excellence in Financial Reporting for the past 26 years from the Association of School Business Officials, International (ASBO), and for the past 25 years from the Government Finance Officers Association (GFOA). Both associations have stringent requirements for their award, and it is a credit to the District and its taxpayers to be recognized nationally in such a manner.

The District was one of ten districts in the state of Texas to receive the inaugural Award of Excellence in Financial Management from the Texas Association of School Business Officials (TASBO).

### **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).
- Outside compensation and/or fees received by the Superintendent for professional consulting and/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).

# Appendix



## CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT

### CONTRACT OF EMPLOYMENT

This Contract of Employment (“Contract”) is made and entered into by and between the Board of Trustees (“Board”) of the Cypress-Fairbanks Independent School District (“District”) and John Mark Henry (“Superintendent”).

Pursuant to the authority of Chapter 21 and Section 11.201 of the Texas Education Code and the general laws of the State of Texas, for the consideration herein specified, the Board and the Superintendent hereby agree as follows:

1. Term. The Board, by and on behalf of the District, hereby employs the Superintendent, and the Superintendent hereby accepts such employment, for a term commencing on July 1, 2021, and ending on June 30, 2026. This Contract shall automatically be extended annually for an additional one-year period beginning on July 1 and ending on June 30 of the following year, unless either party shall notify the other party in writing prior to February 1 of each year that it does not desire the Contract to be extended.
2. Duties. The Superintendent is the chief executive officer of the District. The Superintendent shall faithfully perform the duties of Superintendent of Schools for the District as prescribed by law, Board policies, the job description, and as may be lawfully assigned by the Board from time to time. The Superintendent shall comply with all lawful Board directives, policies, rules and regulations, and state and federal laws, as they exist or may hereafter be amended or adopted during the term of this Contract. 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.
3. Annual Base Salary. The Superintendent shall be paid an annual base salary of Four Hundred and Sixty Four Thousand, Four Hundred and Thirty-Nine Dollars and No Cents (\$464,439.00) predicated on two hundred and fifty (250) workdays per fiscal year. This annual salary shall be paid to the Superintendent in equal installments consistent with Board policies.
4. Salary Adjustments. At any time during the term of this contract, the Board may in its sole discretion review and adjust the annual base salary of the Superintendent; however in no event may the Superintendent be paid less than the annual base salary except by mutual written agreement of the parties or as permitted by law.
5. Professional Certification and Records. The Superintendent shall maintain at all times during the term of this Contract valid and appropriate certification to act as Superintendent of Schools in the State of Texas as prescribed by the laws of the State of Texas and the rules and regulations of the Texas Education Agency and/or the State Board for Educator Certification, and shall provide evidence of such certification to the Board upon request at any time. The Superintendent shall also provide evidence of education attainment, degrees earned, previous professional experience, and other records required for the personnel files of the District. Failure to maintain valid and appropriate certification shall render this Contract void, and any material misrepresentation in any records provided to the District shall be grounds for termination.




Superintendent's Initials



Board President's Initials

6. Reassignment. The Superintendent is employed specifically and solely to perform the duties of the Superintendent of Schools for the District and may not be reassigned from the position of Superintendent to any other position in the District except by mutual written agreement of the parties.
7. Professional Activities. The Superintendent shall attend and participate in appropriate professional meetings at the local, state and national levels with reasonable expenses for such attendance and participation to be borne by the District from funds budgeted for that purpose, including membership fees and dues of the Superintendent in such organizations as he deems appropriate in the performance of his duties. 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.
8. Business Expenses. The District shall pay or reimburse the Superintendent for reasonable and necessary reimbursable expenses incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract from funds budgeted for that purpose. Such expenses shall include, but are not limited to, travel, lodging, meals, membership and participation in civic and service organizations and projects within the District. The Superintendent shall receive an allowance of One Hundred Dollars (\$100.00) per month for use of his personal cellular phone to conduct District business. The Superintendent shall comply with all policies, procedures, and documentation requirements established by the Board, the District's independent auditors and state and federal laws regarding such business expenses. The Superintendent's expenses shall be subject to review by the District's independent auditors.
9. Additional Expenses. Expenses incurred by the Superintendent's spouse while in conduct of and support of District business that are considered by the Board to be reasonable and necessary will also be reimbursed from funds budgeted for that purpose.
10. Automobile Expenses. The District shall provide the Superintendent with an additional monthly sum of Two Thousand Dollars (\$2,000.00) as an automobile allowance. The Superintendent shall also receive automobile mileage at the District's approved reimbursement rate for travel outside of the District. These sums are intended to compensate the Superintendent for the use of his personal automobile in the performance of his duties on behalf of the District. In the event that the Superintendent's personal automobile becomes unavailable for use, the Superintendent's automobile allowance will be reduced on a daily pro rata basis for each day during a pay period for which the Superintendent is using a District automobile instead of a personal automobile, with the exception of travel for out-of-district purposes.
11. Health, Dental and Life Insurance. The District shall provide health and dental benefits to the Superintendent as provided by state law and Board policies and shall pay the same amount toward the premiums for these benefits that the District contributes for other 12-month administrative employees. In addition, the District shall pay the annual premium for a life insurance policy designated by the Superintendent, up to a total annual premium of Four Thousand Dollars (\$4,000.00).
12. Vacation and Holidays. On July 1 per year of this Contract, the Superintendent shall receive thirty (30) days of vacation, which may be accumulated up to sixty (60) days. The vacation days taken by the Superintendent shall be at the Superintendent's choice, subject to the Board's approval, and shall be taken at such time or times as will least interfere with the performance of

 Superintendent's Initials


 Board President's Initials

the Superintendent's duties as set forth in this Contract. Additionally, on June 30 of each year of this Contract, the Superintendent shall receive a lump sum cash payment for any accumulated vacation days that exceed sixty (60) days, up to a maximum payment of eighty (80) days. Cash payment for any accumulated days shall be calculated on the Superintendent's then-current daily rate of pay. Upon termination of employment under this Contract, the Superintendent shall be entitled to payment for up to eighty (80) accrued but unused accumulated vacation days at his then-current daily rate of pay. In addition, the Superintendent shall observe the same District holidays as those observed by 12-month employees of the District.

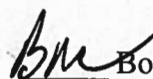
13. Personal and Sick Leave. On July 1 per year of this Contract, the Superintendent shall receive fifteen (15) days of local leave (sick leave) in addition to the state leave (state leave) required by law for all employees of the District. If the Superintendent retires from the District, he shall be eligible for reimbursement of the maximum unused personal and sick leave days in accordance with DEC (local), except that the rate of reimbursement shall be 100% of the then-current daily rate of pay based on the Superintendent's fulfillment of the longevity incentive in his 2017-2021 contract and contract addendums.
14. Additional Compensation. The Board wishes to provide additional compensation to the Superintendent as follows. Beginning July 1, 2021, the Superintendent shall receive four thousand dollars (\$4,000) per month by regular payroll installments for each month that he remains employed by the District and actively fulfilling his superintendent duties under this Contract. The payment shall continue through the end of the 2024-2025 fiscal year.
15. Annual Physical Examination. The Superintendent shall undergo an annual physical examination performed by a licensed physician mutually acceptable to the Board and the Superintendent. The physician shall submit a confidential statement to the Board verifying the Superintendent's fitness to perform the Superintendent's duties, and copies of all such statements shall be confidential to the extent permitted by law. The District shall pay all reasonable and actual costs of the annual physical examination.
16. Annual Evaluation and Assessment of Performance. The Board shall evaluate and assess the performance of the Superintendent in writing in June of each year during the term of this Contract, and at such other times as deemed necessary and appropriate by the Board. The meetings at which the Board evaluates and assesses the performance of the Superintendent will be held in closed session unless the Board and the Superintendent mutually agree that they should be held in open session. The evaluation and assessment of performance shall be in accordance with the Board's policies and state and federal law, and shall be related to the duties of the Superintendent, as outlined in the Superintendent's job description.

The Superintendent shall submit to the Board each year, for the Board's consideration, a preliminary list of goals for the District. The goals approved by the Board shall be in writing and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated.

In the event the Board substantively modifies the evaluation instrument, format and/or procedure, 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.



Superintendent's Initials



Board President's Initials



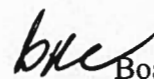
- 17. Termination. This Contract may be terminated by mutual written agreement of the Board and the Superintendent at any time upon such terms and conditions as may be mutually agreeable to the parties. In addition, this Contract shall be terminated upon the retirement or death of the Superintendent. 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. Nonrenewal of this Contract shall be in accordance with the Board's policies and applicable law.
  
- 18. 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 accrued leave has been exhausted, the Superintendent shall be entitled to ninety (90) additional days of disability leave. The District may, after all accrued leave and the ninety (90) additional days of disability leave have been exhausted, or a total of one hundred eighty (180) days, whichever is more, make appropriate deduction from the Superintendent's annual base compensation for each additional day that the Superintendent is unable to perform the duties of his position, based on two hundred and fifty (250) days of service per year during the term of this Contract. If such disability continues after the exhaustion of all accrued leave and the ninety (90) additional days of disability leave, or a total of one hundred eighty (180) days, whichever is more, or if such disability is permanent or irreparable as determined by a physician mutually acceptable to the Board and the Superintendent, the Board may, at its option, terminate this Contract, whereupon the respective rights, duties and obligations herein stated shall terminate.

If a question arises concerning the capacity of the Superintendent to return to his duties, the Superintendent shall submit to a medical examination by a physician mutually acceptable to the Board and the Superintendent, such examination to be paid by the District. The physician shall limit the report to the issue of whether the Superintendent has a continuing disability that prohibits him from performing any or all of his duties.

- 19. Professional Liability. 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 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 after the termination of this Contract for qualifying acts or failures to act occurring during the term of this Contract or any extension thereof.



Superintendent's Initials




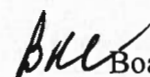
Board President's Initials

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

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 the termination of this Contract.

20. Criticisms, Complaints, and Suggestions. The Board, individually and collectively, shall refer all substantive criticisms, complaints, and suggestions called to the Board's attention to the Superintendent for study and appropriate action, and the Superintendent shall investigate such matters and inform the Board of the results of such action.
21. Board Meetings. Unless otherwise prohibited by law, 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 Contract or the Superintendent's salary and benefits as set forth in this Contract, or the Superintendent's evaluation and/or performance, 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 absence approved by the Board President, the Superintendent's designee shall attend such meetings.
22. Laptop Computer. The District shall provide the Superintendent with a laptop computer for both professional and personal use, at the sole expense of the District.
23. 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.
24. Controlling Law. This Contract shall be governed by the laws of the State of Texas and it shall be performable in Harris County, Texas, unless otherwise provided by law. Venue for any dispute concerning the interpretation and/or enforcement of this Contract shall be in Harris County, Texas.
25. Complete Agreement. This Contract embodies the entire understanding and agreement of the parties, and supersedes all other agreements and understandings, both written and oral. Any additions, deletions or modifications to the terms and conditions of this Contract, including but not limited to changes in the term of the Contract or the base annual salary of the Superintendent, shall be made only by written addendum signed by both parties.
26. 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.

 Superintendent's Initials

 Board President's Initials

*Bob A. Covey*

Bob Covey, President  
Board of Trustees  
Cypress-Fairbanks ISD

Date: 8-3-21

*John Mark Henry*

John Mark Henry, Superintendent  
of Schools  
Cypress-Fairbanks ISD

Date: 8-3-21

*JMH*

Superintendent's Initials

*BCW*

Board President's Initials

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
SUPERINTENDENT COMPENSATION  
JULY 1, 2021 – JUNE 30, 2022**

Description of Compensation	Dollar Amount
Salary	\$512,439
Automobile Allowance	24,000
Cellular Phone Allowance	1,200
Life Insurance Policy Allowance (not to exceed \$4,000)	4,000
<b>Total Compensation</b>	<b>\$541,639</b>

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
REIMBURSEMENTS RECEIVED BY THE  
SUPERINTENDENT AND BOARD MEMBERS IN  
FISCAL YEAR 2020**

<b>For the Twelve-Month Period Ended June 30, 2020</b>									
<b>Description of Reimbursements</b>	<b>Dr. Mark Henry Superintendent</b>	<b>Tom Jackson Position #1</b>	<b>Julie Hinaman Position #2</b>	<b>Darcy Mingoia Position #3 July 2019 – Oct. 2019</b>	<b>Gilbert Sarabia Position #3 Nov. 2019 – June 2020</b>	<b>Debbie Blackshear Position #4</b>	<b>Dr. John D. Ogletree Position #5</b>	<b>Don Ryan Position #6</b>	<b>Bob R. Covey Position #7</b>
Meals	\$1,316.71	\$112.00	\$160.00	\$193.00	\$85.00	\$278.00	\$312.20	\$278.00	\$189.00
Lodging	4,247.04	505.32	824.62	684.30	368.42	1,052.72	2,223.73	1,052.72	1,221.61
Transportation	6,516.82	353.17	397.46	327.84	119.65	411.28	1,176.87	445.59	388.22
Motor Fuel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	5,686.43	195.00	665.00	0.00	590.00	590.00	1,950.00	590.00	0.00
<b>Total</b>	<b>\$17,767.00</b>	<b>\$1,165.49</b>	<b>\$2,047.08</b>	<b>\$1,205.14</b>	<b>\$1,163.07</b>	<b>\$2,332.00</b>	<b>\$5,662.80</b>	<b>\$2,366.31</b>	<b>\$1,798.83</b>

Fig. A-3

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
OUTSIDE COMPENSATION AND/OR FEES RECEIVED BY THE SUPERINTENDENT  
FOR PROFESSIONAL CONSULTING AND/OR OTHER PERSONAL SERVICES IN  
FISCAL YEAR 2020**

<b>For the Twelve-Month Period Ended June 30, 2020</b>	
<b>Name(s) of Entity(ies)</b>	\$
<b>Total</b>	\$

There was no outside compensation and/or fees received in the fiscal year ended June 30, 2020.

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
GIFTS RECEIVED BY THE EXECUTIVE OFFICER(S) AND  
BOARD MEMBERS (AND FIRST DEGREE RELATIVES, IF ANY) IN  
FISCAL YEAR 2020**

For the Twelve-Month Period Ended June 30, 2020									
	Dr. Mark Henry Superintendent	Tom Jackson Position #1	Julie Hinaman Position #2	Darcy Mingoia Position #3 July 2019- Oct. 2019	Gilbert Sarabia Position #3 Nov. 2019- June 2020	Debbie Blackshear Position #4	Dr. John D. Ogletree Position #5	Don Ryan Position #6	Bob R. Covey Position #7
<b>Amounts</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

There were no gifts received by any Executive Officer(s) or Board Member(s).

Fig. A-5

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
BUSINESS TRANSACTIONS BETWEEN SCHOOL DISTRICT AND  
BOARD MEMBERS IN  
FISCAL YEAR 2020**

For the Twelve-Month Period Ended June 30, 2020									
	Dr. Mark Henry Superintendent	Tom Jackson Position #1	Julie Hinaman Position #2	Darcy Mingoia Position #3 July 2019- Oct. 2019	Gilbert Sarabia Position #3 Nov. 2019- June 2020	Debbie Blackshear Position #4	Dr. John D. Ogletree Position #5	Don Ryan Position #6	Bob R. Covey Position #7
<b>Amounts</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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

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## 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 calendar year.

**All Funds:** A school district’s accounting system is organized and operated on a fund basis where each fund is a separate fiscal entity in the school district much the same as various corporate subsidiaries are fiscally separate in private enterprise. All Funds refers to the combined total of all the funds listed below:

- The General Fund
- Special Revenue Funds (Federal Programs, Federally Funded Shared Services, State Programs, Shared State/Local Services, Local Programs)
- Debt Service Funds
- Capital Projects Funds

**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 June 20 of each year, the superintendent (or designee) must prepare a budget for the school district if the fiscal year begins on July 1. (For those districts with fiscal years beginning September 1, this date would be August 20.) The legal requirements for funds to be budgeted are included in the Budgeting module of the TEA Resource Guide. The budget must be adopted before expenditures can be made, and this adoption must be prior to the setting of the tax rate for the budget year. The budget must be itemized in detail according to classification and purpose of expenditure, and must be prepared according to the rules and regulations established by the state board of education. The adopted budget, as necessarily amended, shall be filed with TEA through the Public Education Information Management System (PEIMS) as of the date prescribed by TEA.

**Capital Outlay:** This term is used as both a Function and an Object. Expenditures for land, buildings, and equipment are covered under 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 49:** A key “equity” chapter in the Texas Education Code (TEC) is Chapter 41. This chapter is devoted to wealth equalization through the mechanism of recapture, the recovery of financial resources from districts defined by the state as high property wealth. Resources are recovered for the purpose of sharing them with low-wealth districts. Districts that are subject to the provisions of Chapter 49 must make a choice among several options in order to reduce their property wealth and share financial resources.

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

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

**Days of Cash on Hand:** The number of days the school district can disburse funds for its operating expenditures without receiving any new revenues.

**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.

**Debt Service Coverage Ratio:** This ratio measures an organization's ability to make debt principal and interest payments that will become due during the year.

**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.

**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 fiscal 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:** 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 full-time 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 position 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.

**Modified Opinion:** Term used in connection with financial auditing. A modification of the independent auditor's report means there exists one or more specific exceptions to the auditor's general assertion that the district's financial statements present fairly the financial information contained therein according to generally accepted accounting principles.

**No New Revenue Tax Rate:** Provides the unit with approximately the same amount of local tax revenue it had the year before on properties taxed in both years. A comparison of the no new revenue tax rate to the taxing unit's proposed tax rate shows if there will be a tax increase.

**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 position. 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 and receiving services.

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

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

**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.

**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.

**Unmodified Opinion:** Term used in connection with financial auditing. An unmodified independent auditor's opinion means there are no stated exceptions to the auditor's general assertion that the district's financial statements present fairly the financial information contained according to generally accepted accounting principles.

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

**Voter Approval Tax Rate:** The M&O portion of the rollback tax rate allows school districts to add four cents (\$0.04) to the lesser of the prior tax year compressed operating tax rate or the effective M&O rate to generate operating funds. School districts will get to add to the compressed operating rate any additional cents approved by voters at a 2006 or subsequent rollback election. The rollback rate is the highest rate that the taxing unit may adopt before an election is required.

**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).

