

# 2023 ANNUAL FINANCIAL MANAGEMENT REPORT

Fiscal Year Ended June 30, 2023





# 2023 ANNUAL FINANCIAL MANAGEMENT REPORT

Fiscal Year Ended June 30, 2023

**DOUGLAS KILLIAN, PH.D.**  
*Superintendent of Schools*

**KAREN W. SMITH,**  
**CPA, RTSBA**  
*Chief Financial Officer*

**AMANDA BOLES,**  
**CPA, RTSBA**  
*Assistant Superintendent for  
Business and Financial Services*



## TABLE OF CONTENTS

Introduction .....	1
Financial Accountability Ratings Worksheet June 30, 2023 .....	2
Discussion of Base Indicators .....	7
Other Data Concerning the District’s Operations .....	12
Appendix	
Superintendent’s Contract (Fig. A-1) .....	16
Reimbursements Received by the Superintendent and Board Members (Fig. A-2) .....	27
Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services (Fig. A-3) .....	27
Gifts Received by the Executive Officer(s) and Board Members (Fig. A-4) .....	28
Business Transactions Between School District and Board Members (Fig. A-5) .....	28
Glossary .....	29



# 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 Schools FIRST in the Texas Administrative Code beginning with ratings year 2020-2021. The Schools FIRST rating system for the rating year 2023-2024 (based on 2022-2023 data) consists of 21 base indicators of which two indicators were 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 21 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 22<sup>nd</sup> year of the Schools FIRST rating system. Cypress-Fairbanks Independent School District currently has a rating of "**Superior**" for the 2022-2023 fiscal year, with 20 out of 21 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 2022-2023****Fiscal Year Ended June 30, 2023****County District #101-907****District Name: Cypress-Fairbanks ISD****Rating: A = Superior Achievement**

	<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 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.)	Yes Ceiling Passed

	<b>Indicator Description</b>	<b>Score</b>
5	Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero? (If it is not, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement, unless the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership. If the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)	Ceiling Passed
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	<b>This indicator is not being scored by TEA.</b>	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 or 1,000 or more students in membership, then the school district passes this indicator.)	10
12	What is the correlation between future debt requirements and the district's assessed property value? (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

	<b>Indicator Description</b>	<b>Score</b>
15	<b>This indicator is not being scored by TEA.</b>	5
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 and free from substantial doubt about the school district's ability to continue as a going concern? (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 district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?	Ceiling Passed
21	Did the school district receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of a financial hardship?	Ceiling Passed
		<b>98</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, 20, or 21? 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
<b>Indicator 21</b> (FSP Repayment Plan) - Response to indicator is <i>Yes</i> .	70	C = Meets Standard Achievement

## RESULT DETERMINATION REFERENCE

Indicator 7		DETERMINATION OF POINTS			
10	8	6	4	2	0
>=90	<90 >= 75	<75 >=60	<60 >=45	<45 >=30	<30

Indicator 8		DETERMINATION OF POINTS			
10	8	6	4	2	0
>=3.00	<3.00 >=2.50	<2.50 >=2.00	<2.00 >=1.50	<1.50 >=1.00	<1.00

Indicator 11		DETERMINATION OF POINTS			
10	8	6	4	2	0
<=0.60	>0.60 <=0.70	>0.70 <=0.80	>0.80 <=0.90	>0.90 <=1.00	>1.00

Indicator 12		DETERMINATION OF POINTS			
10	8	6	4	2	0
<=4	>4 <=7	>7 <=10	>10 <=11.5	>11.5 <=13.5	>13.5

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

## 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. Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero? (If it is not, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement, unless the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership. If the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)**

This indicator determines if the total net position in the governmental activities column of the Statement of Net Position as reported in the Annual Financial Report is greater than zero. A positive net position demonstrates financial solvency.

Cypress-Fairbanks ISD met this requirement.

**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.)**

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 2.10% and the current years assigned and unassigned fund balance was \$544,947,146, which exceeded the 75-day requirement of \$219,835,245.

**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 194.3 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 3.9382 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.

The District's revenues exceeded expenditures for the reporting year.

**10. This indicator is not being scored by TEA.**

**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 or 1,000 or more students in membership, 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 0.831.

**12. What is the correlation between future debt requirements and the district's assessed property value?**

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 5.0263.

**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 2022-23 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 3.54% 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.**

If a decline in student enrollment is occurring, this indicator measures if the decline in total staff is in proportion to the declining enrollment over a 3-year period.

Cypress Fairbanks ISD did not have a decline in student enrollment.

**15. This indicator is not being scored by 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 ensure the data reported in each case is consistent. This 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 and free from substantial doubt about the school district’s ability to continue as a going concern? (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 district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?**

This indicator measures whether the district's administration and school board had the opportunity to consider the impact of changes to local, state, and federal funding on the finances of the district.

Cypress-Fairbanks ISD met this requirement.

**21. Did the school district receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of a financial hardship?**

This indicator determines if the district has an adjusted repayment schedule for an overallocation of FSP funds.

Cypress-Fairbanks ISD did not have an adjusted repayment schedule.

# OTHER INFORMATION

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>
18-19	8.55%	3.77%
19-20	8.55%	3.67%
20-21	8.55%	3.39%
21-22	8.55%	3.68%
22-23	8.55%	3.54%

### 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, 2023, the total debt outstanding from general obligation and refunding bonds was \$3,549,625,000 with interest rates ranging from 0.00% - 5.41% and maturities until 2048. 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, 2023 the District completed construction of a new elementary and middle school campus that opened in August 2023. Construction efforts then turned to continued renovation of existing facilities and a new elementary school campus set to open in August of 2024. 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>
18-19	99.77%
19-20	99.72%
20-21	99.59%
21-22	99.49%
22-23	98.00%

### **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.

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, 2023, 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 29 years from the Association of School Business Officials International (ASBO), and for the past 28 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). In February 2024, the District received this prestigious award for the fourth year in a row.

### **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 Dr. Douglas Killian (“Superintendent”).

Pursuant to the authority of Chapters 21 and 11 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 January 1, 2024, and ending on June 30, 2027. 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. All duties assigned to the Superintendent by the Board shall be appropriate to and consistent with the professional role and responsibility of the Superintendent.
  
3. Salary and Salary Adjustments. The Superintendent shall be paid an annual base salary of FOUR HUNDRED AND NINE THOUSAND and No/100 Dollars (\$409,000.00). On July 1 of any subsequent year of this Contract or at any other time at which the Board is considering salary adjustments for personnel, the Superintendent’s base salary will be automatically increased by an amount equal to the greater of (i) the highest percentage raise given to the District’s teachers or (ii) a percentage mutually agreeable to the Board and the Superintendent, which shall be memorialized in a new contract or an addendum to this Contract. In no event shall the Superintendent be paid less than the annual base salary set forth in this paragraph, except by mutual written agreement of the parties or as permitted by law, subject to any legal challenges by the Superintendent. This annual salary rate shall be paid to the Superintendent in equal installments consistent with the Board’s policies.
  
4. 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 may be grounds for termination.

  
Superintendent’s Initials

  
Board President’s Initials



5. 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.
6. 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. In its encouragement of the Superintendent to grow professionally, the Board shall permit a reasonable amount of release time for the Superintendent as the Superintendent and the Board deem appropriate, to attend such seminars, courses or meetings. 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.
7. 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 in the same amounts as those provided to the District's executive level employees. Such expenses shall include, but are not limited to, in-District travel allowance, out of District travel reimbursement, lodging, meals, a mobile phone allowance, and membership and participation in civic and service organizations and projects within the District. 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. The Superintendent shall maintain a personal account for mobile telephone service and shall not open an account in the name of the District. The Superintendent shall have total responsibility for payment of such personal account and the District shall have no obligation or responsibility related to said mobile telephone account other than the mobile telephone allowance stated herein. The Superintendent understands that information stored in his cell phone, computer or other device is subject to public disclosure if such information is related to the public business of the District or to his duties as Superintendent. Notwithstanding the location of personal data on the Superintendent's mobile phone, computer or other device, whether owned by the District or Superintendent, the parties agree that any personal or private information of the Superintendent contained on such devices shall be deemed private and the Superintendent's sole property; provided it shall be the responsibility of the Superintendent to assert, and to bear any costs of asserting, privacy or other confidentiality privileges or rights as to any such data or information. Out of District travel (mileage, lodging, and meals) shall be reimbursed 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 and expenses incurred in the performance of his duties on behalf of the District.
8. 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.
9. Health, Dental and Life Insurance. The District shall provide health and dental benefits to the Superintendent as provided to other 12-month professional employees 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.

 Superintendent's Initials

 Board President's Initials

10. Texas Teacher Retirement System. For performance of Superintendent duties, the District shall supplement the Superintendent's salary by an amount equal to the Superintendent's portion of the member contribution to the Texas Teacher Retirement System ("TRS") during the Term of this Contract, including any extensions thereof. This supplement shall include both the retirement and TRS-Care parts of the TRS member contribution, as applicable. This additional salary supplement for services rendered shall be paid to the Superintendent in regular monthly payroll installments and shall be reported as "creditable compensation" by the District for purposes of TRS, to the extent permitted by TRS.

11. Supplemental Retirement Plan. Annually during the term of this Contract, the District shall add to the Salary of the Superintendent the amount of NINE HUNDRED AND FIFTY and No/100 Dollars (\$950.00) at the beginning of the Contract year ("Additional Salary"). One-twelfth of this amount shall be paid as a monthly salary deferral contribution, at the election of the Superintendent, to a plan established by the District under Section 403(b) and/or Section 457(b) of the Code. In the event the Superintendent executes a salary deferral agreement in accordance with the requirements of Sections 403(b) and/or 457(b) of the Internal Revenue Code (the "Code") in at least the amount of the Additional Salary, the Additional Salary shall be paid as a salary deferral contribution ("Salary Deferral Contribution"). Under and pursuant to applicable Internal Revenue Service rules the Superintendent shall have the option to elect to receive the Additional Salary in cash rather than as a Salary Deferral Contribution. All such Salary Deferral Contributions contemplated herein shall be paid to a plan that is (i) established by the District under Section 403(b) and/or Section 457(b) of the Code; and (ii) available to all TRS members employed by the District. Such plans shall include investments as allowed under Sections 403(b), 403(b)(7) and/or 457(b) of the Code, respectively, and the investments for the Superintendent's accounts shall be solely at his discretion. The Superintendent shall always be 100% vested in his account under the 403(b) and/or 457(b) plan. The Salary Deferral Contributions contemplated herein shall be treated as salary deferrals under the Code and shall be reported as "creditable compensation" by the District for purposes of the Teacher Retirement System of Texas. No payments under this Section shall be made after the Superintendent's employment terminates.

12. Annual Physical Examination. The Superintendent agrees to undergo an annual physical examination performed by a licensed physician mutually acceptable to the Board and the Superintendent. The examination will determine the Superintendent's continuing physical fitness to fulfill the duties and responsibilities of the position and may include laboratory tests and other procedures as deemed appropriate by the licensed physician to certify the Superintendent's fitness for duty. The health care professional who performs the examination shall submit confidential reports to the General Counsel for the District certifying the Superintendent's fitness to perform the essential functions of the job. The General Counsel shall notify the Board President that the Superintendent has completed the required physical examination and the health care professional's certification. These reports will be maintained by the District as confidential medical records to the extent permitted by law. The District shall pay all reasonable costs of the examination.

13. Benefits. In addition to the benefits expressly set forth herein, the District shall provide other benefits to the Superintendent as provided to District employees by state law and Board policies. The Board reserves the right to amend its policies at any time during the term of this Contract to reduce or increase the benefits not expressly provided herein, at the Board's sole discretion.

14. Vacation and Holidays. Only July 1st of each year, the Superintendent shall receive (and be considered to have earned) twenty (20) days of vacation per year of this Contract, which may be accumulated up to a total of sixty (60) days. On June 30th 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. At the sole option of the Superintendent, on or before the end of each year of the term of this Contract, the District shall pay in a lump sum to the Superintendent for up to ten (10) accrued but unused vacation days. Cash payment for any

 Superintendent's Initials

 Board President's Initials



accumulated days shall be calculated on the Superintendent's then-current daily rate of pay. The daily rate of pay shall be calculated by dividing the Superintendent's then current TRS creditable compensation by two hundred and fifty (250) days of service per year. The vacation days taken by the Superintendent shall be taken at such time or times as will least interfere with the performance of the Superintendent's duties as set forth in this Contract. In addition, the Superintendent shall observe the same District holidays as those observed by 12-month employees of the District. Upon termination of employment under this Contract, the Superintendent shall be entitled to payment for all remaining accrued but unused vacation days at his then current daily rate of pay.

15. State and Local Leave. The Superintendent shall have the same state and local leave benefits as authorized by Board policies for 12-month professional employees of the District. If the Superintendent retires from the District, he shall be eligible for reimbursement of unused state and local leave days in accordance with DEC (local), except that all unused state and local leave days are eligible for reimbursement and the rate of reimbursement shall be 100% of the then-current daily rate of pay.

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, shall be related to the duties of the Superintendent, as outlined in the Superintendent's job description, and shall be based on the District's progress towards accomplishing the District Goals (defined below). The Superintendent shall have the right to make a written response to the evaluation within thirty (30) days of receipt of the written evaluation from the Board. That response shall become a permanent attachment to the evaluation in the Superintendent's personnel file.

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 ("District Goals") and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated. The District Goals approved by the Board shall be specific, definitive and measurable, to the extent feasible. The Board agrees to work with and support the Superintendent in achieving the District Goals.

In the event the Board substantively modifies the evaluation instrument, format and/or procedure, and such modifications would require new or different performance expectations, such modifications must be adopted with input from the Superintendent and the Superintendent shall be provided a reasonable period of time to demonstrate such expected performance before being evaluated.

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. Resignation of Superintendent. The Superintendent may leave the employment of the District at the end of a school year without penalty by filing a written resignation with the Board. The resignation must be

 Superintendent's Initials

 Board President's Initials

addressed to the Board and filed not later than the 45th day before the first day of instruction of the following year. The Superintendent may resign with the consent of the Board at any other time.

19. 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.

20. Professional Liability.

(a) To the extent it may be permitted by applicable law, including, but not limited to Texas Civil Practice & Remedies Code Chapter 102, the District shall indemnify, defend, and hold the Superintendent harmless regarding any civil claims, demands, or other legal proceedings against the Superintendent 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 fullest extent permitted by law, except for internal investigations conducted by the District and expressly authorized by the Board. The District has no obligation to indemnify, defend, or hold the Superintendent harmless regarding any claims, demands, or other legal proceedings against the Superintendent if the Superintendent admits in writing or under oath, or is found by a Court of competent jurisdiction (i) to have acted with gross negligence or malice; (ii) to have acted with the intent to violate a person's clearly established legal rights; or (iii) to have engaged in criminal conduct.

(b) Except for internal investigations conducted by the District and expressly authorized by the Board, the District shall advance the attorney's fees, expenses and costs reasonably necessary to defend the Superintendent in any civil claims, demands, duties, actions or other legal proceedings against the Superintendent in which the Superintendent is alleged (i) to have acted with gross negligence or malice; (ii) to have acted with the intent to violate a person's clearly established legal rights; or (iii) to have engaged in criminal conduct.

(c) If the Superintendent admits in writing or under oath, or is found by a court of competent jurisdiction (i) to have acted with gross negligence or malice; (ii) to have acted with the intent to violate a person's clearly established legal rights; or (iii) to have engaged in criminal conduct, then the Superintendent shall promptly reimburse the District all sums advanced by the District to defend the Superintendent in the court proceeding in which such admission or finding is made within one hundred and twenty (120) days or as agreed by the Board.

(d) In the case of any criminal proceeding arising out of the Superintendent's responsibilities as Superintendent or other actions against the District, the District shall advance the attorneys' fees, expenses and costs reasonably necessary to defend the Superintendent in any criminal claims, demands, duties, actions or legal proceedings against the Superintendent. If the Superintendent admits in writing or under oath or is found by a court of competent jurisdiction to have engaged in criminal conduct, then the Superintendent shall promptly reimburse

 Superintendent's Initials

 Board President's Initials

the District all sums advanced by the District to defend the Superintendent in court within one hundred and twenty (120) days or as agreed by the Board.

(e) The District may fulfill its obligation by (i) purchasing appropriate insurance coverage for the benefit of the Superintendent, or (ii) including the Superintendent as a covered party under any errors and omissions insurance coverage purchased for the protection of the Board and the professional employees of the District.

(f) During the term of this Contract, the Superintendent agrees to provide reasonable assistance to and cooperate with the District, its Trustees, agents, employees and attorneys in response to any legal proceeding or claims brought against the District. After termination of this Contract, the Superintendent agrees to provide assistance to and cooperate with the District, its Board, Trustees, agents, and attorneys in response to, or in defense of, any demand, claim, complaint, suit, action or legal proceeding brought against the District, Board, its Trustees, or agents, arising from any acts or events alleged to have occurred during the term of the Superintendent's employment with the District, at no additional expense to the District other than reimbursement to the Superintendent for his documented reasonable and necessary out-of-pocket expenses, plus reimbursement of any salary lost by the Superintendent by virtue of taking time off from his then current employment to assist the District at its request. If the Superintendent is not employed at the time, the District shall compensate the Superintendent at his daily rate of pay, calculated by dividing the Superintendent's salary under the Contract by 250. Requests for assistance from the Superintendent with respect to such matters shall be made through the Board of Trustees' President, any successor superintendent, and/or legal counsel for the District, and the amount to be reimbursed to the Superintendent shall be mutually agreed upon in advance.

(g) No individual member of the Board shall be personally liable for indemnifying, defending or holding harmless the Superintendent, or for any other obligation assumed by the District.

(h) If the Superintendent does not consent to being represented by the same counsel representing the District in any proceeding the District is obligated to defend under this Section, then the Superintendent may elect to be represented in such proceeding by independent counsel, which must be approved in writing by the District. In such event, the District will pay the attorney's fees, expenses and costs reasonably necessary for the independent counsel to defend the Superintendent, subject to the provisions of this Section.

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

21. Criticisms, Complaints, and Suggestions. The Board, individually and collectively, shall refer in a timely manner all substantive criticisms, complaints, and suggestions called to the Board's attention to the Superintendent for review and appropriate action. The Superintendent will either refer such matter(s): (a) to the appropriate District employee or shall investigate such matter(s) and shall within a reasonable time inform the Board of the results of such efforts; or (b) to the appropriate complaint resolution procedure as established by Board policies. Substantive complaints include, without limitation, allegations of possible wrongdoing by staff and/or students, complaints of possible criminal behavior by staff and/or students, and complaints about personnel which, if true, would require action by the Superintendent and/or his administration. The Board retains the right to investigate complaints about the Superintendent. The Superintendent shall refer all substantive complaints from staff and/or third parties regarding a Board member to the Board President for review and action. If the complaint is about the Board President, the Superintendent shall refer the complaint to the next most senior non-implicated Board officer.

22. 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



Superintendent's Initials



Board President's Initials

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. In accordance with section 11.051(a-1) of the Education Code, the Board shall provide the Superintendent an opportunity to provide oral or written recommendation(s) and/or information as to each of the items of business considered and voted on by the Board at each Board meeting.

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 regarding the employment of the Superintendent for the term stated herein, 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 or a new contract signed by both parties.

26. Paragraph Headings: The headings used at the beginning of each numbered paragraph in this Contract are not intended to have any legal effect; the headings do not limit or expand the meaning of the paragraphs that follow them.

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

28. 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.

  
\_\_\_\_\_  
Scott Henry, President  
Board of Trustees  
Cypress-Fairbanks ISD

  
\_\_\_\_\_  
Dr. Douglas Killian, Superintendent  
of Schools  
Cypress-Fairbanks ISD

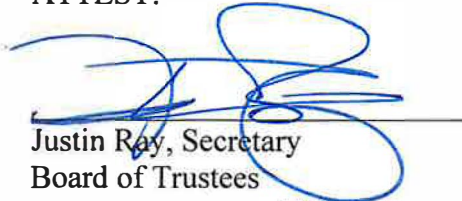
Date: 12/7/23

Date: 7 Dec 2023

 Superintendent's Initials

 Board President's Initials

ATTEST:



Justin Ray, Secretary  
Board of Trustees  
Cypress-Fairbanks ISD



Superintendent's Initials



Board President's Initials



## **CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT**

### **ADDENDUM TO CONTRACT OF EMPLOYMENT**

This Addendum ("Addendum") to Contract of Employment ("Contract") is made and entered into by and between the Board of Trustees ("Board") of the Cypress-Fairbanks Independent School District and Douglas Killian ("Superintendent").

Terms used but not defined in this Addendum shall have the meanings assigned to them in the Contract. Unless specifically amended by this Addendum, the Contract and its terms remain unchanged.

Pursuant to Section 1 of the Contract, the Term of Contract between the parties automatically extends annually for an additional one-year period beginning on July 1 and ending on June 30 of the following year, unless either party notifies the other party in writing prior to February 1 of each year that it does not desire the Contract to be extended.

This Addendum acknowledges that neither party provided the other the requisite notice to forgo the automatic extension of the Contract Term by February 1 of 2024. Therefore, the Term of the Contract was extended by mutual agreement, thereby resulting in a Contract Term ending on June 30, 2027.

Pursuant to Section 3 of the Contract, on July 1 of each year or at any other time at which the Board is considering salary adjustments for personnel, the Superintendent's base salary will be automatically increased by an amount equal to the greater of (i) the highest percentage raise given to the District's teachers or (ii) a percentage mutually agreeable to the Board and the Superintendent. For the 2024-2025 school year, the Superintendent received the same two percent (2%) raise as the District's teachers, and his annual base salary will be Four hundred and Seventeen Thousand, One Hundred and Eighty Dollars (\$417,180.00). The Superintendent shall also receive reimbursement of business expenses for mileage and phone allowances in the amounts of Twenty-Four Thousand Dollars (\$24,000.00) and Twelve Hundred Dollars (\$1,200.00), respectively.

This Addendum 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.

Execution page to follow.

EXECUTED BY:



Scott Henry, President  
Board of Trustees  
Cypress-Fairbanks ISD  
Date: 8/12/24



Douglas Killian, Superintendent  
of Schools  
Cypress-Fairbanks ISD  
Date: 8/19/2024

ATTEST:



Justin Ray, Secretary  
Board of Trustees  
Cypress-Fairbanks ISD  
Date: 8/12/24

\_\_\_\_\_ Superintendent's Initials

-2-

\_\_\_\_\_ Board President's Initials

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
SUPERINTENDENT COMPENSATION  
JULY 1, 2024 – JUNE 30, 2025**

<b>Description of Compensation</b>	<b>Dollar Amount</b>
Salary	\$458,908.02
Automobile Allowance	24,000.00
Cellular Phone Allowance	1,200.00
<b>Total Compensation</b>	<b>\$484,108.02</b>

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
REIMBURSEMENTS RECEIVED BY THE  
SUPERINTENDENT AND BOARD MEMBERS IN  
FISCAL YEAR 2023**

<b>For the Twelve-Month Period Ended June 30, 2023</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>Gilbert Sarabia Position #3</b>	<b>Debbie Blackshear Position #4</b>	<b>Dr. Natalie Blasingame Position #5</b>	<b>Scott Henry Position #6</b>	<b>Lucas Scanlon Position #7</b>
Meals	\$1,055.15	\$797.00	\$618.37	\$827.00	\$91.00	\$865.00	\$354.00	\$817.00
Lodging	4,890.94	2,571.96	2,129.87	1,417.29	290.77	1,589.19	880.29	1,981.08
Transportation	2,466.56	2,415.96	728.79	717.29	293.75	770.78	344.88	1,159.08
Motor Fuel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	5,233.00	1,660.00	650.00	990.00	855.00	475.00	930.00	595.00
<b>Total</b>	<b>\$13,645.65</b>	<b>\$7,444.92</b>	<b>\$4,127.03</b>	<b>\$3,951.58</b>	<b>\$1,530.52</b>	<b>\$3,699.97</b>	<b>\$2,509.17</b>	<b>\$4,552.16</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 2023**

<b>For the Twelve-Month Period Ended June 30, 2023</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, 2023.

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT  
GIFTS RECEIVED BY THE EXECUTIVE OFFICER(S) AND  
BOARD MEMBERS (AND FIRST DEGREE RELATIVES, IF ANY) IN  
FISCAL YEAR 2023**

For the Twelve-Month Period Ended June 30, 2023								
	Dr. Mark Henry Superintendent	Tom Jackson Position #1	Julie Hinaman Position #2	Gilbert Sarabia Position #3	Debbie Blackshear Position #4	Dr. Natalie Blasingame Position #5	Scott Henry Position #6	Lucas Scanlan Position #7
<b>Amounts</b>	\$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 2023**

For the Twelve-Month Period Ended June 30, 2023								
	Dr. Mark Henry Superintendent	Tom Jackson Position #1	Julie Hinaman Position #2	Gilbert Sarabia Position #3	Debbie Blackshear Position #4	Dr. Natalie Blasingame Position #5	Scott Henry Position #6	Lucas Scanlan Position #7
<b>Amounts</b>	\$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.

## 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

### **Annual Financial Report (AFR)**

The audited annual report required by TEC section 44.008, that is due to TEA by no later than 150 days after the close of a school district’s or an open-enrollment charter school’s fiscal year.

**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. The program established under the TEC, Chapters 46, 48, and 49 or any successor program of state-appropriated funding for school districts in this state.

**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.)*

**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 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.

**Summary of Finances (SOF) report:**

The document of record for FSP allocations. An SOF report is produced for each school district and open-enrollment charter school by the TEA division responsible for state funding that describes the school district's or open-enrollment charter school's funding elements and FSP state aid.

**Texas Student Data System Public Education Information Management System (TSDS PEIMS):** The system that districts and open-enrollment charter schools use to load, validate, and submit their data to the TEA.

**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 five cents (\$0.05) 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.

**Warrant hold:** The process by which state payments issued to payees indebted to the state, or payees with a tax delinquency are held by the Texas Comptroller of Public Accounts until the debt is satisfied in accordance with the Texas Government Code section 403.055.

**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).



