SHERMAN

INDEPENDENT SCHOOL DISTRICT

Financial Integrity Rating System of Texas 2025-26 Ratings

SCHOOLS FIRST

FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS

Based on data from the 2024-25 school year

Mandi Lewis, Chief Financial Officer

November 16, 2026

Financial Integrity Rating System of Texas

The state's school financial accountability rating system, known as the School Financial Integrity Rating System of Texas (FIRST), ensures that Texas public schools are held accountable for the quality of financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes.

Financial Integrity Rating System of Texas

First set of questions must be answered with a YES:

1. Was the complete annual financial report (AFR) and data submitted to the TEA on or before February 27, 2026? **YES - 2/27/2026**
2. Was there an unmodified opinion in the AFR on the financial statements as a whole? **YES** – The auditor expressed an opinion that financial statements were presented, in all material respects, in accordance with applicable financial reporting framework.

Financial Integrity Rating System of Texas

First set of questions must be answered with a YES:

3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? **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? **YES**

Financial Integrity Rating System of Texas

5. Was the total net position in the governmental activities column in the Statement of Net Position greater than zero?

Yes – Ceiling Passed

This indicates a positive net position, which demonstrates financial solvency.

Formula: (Total Net Position of $60,553,664 *Plus* Accretion of Interest for Capital Appreciation Bonds of $0 *Plus* Net Pension Liability of $32,084,770 *Plus* Net Other Post-Employment Benefits of $21,381,687) = $114,020,121 (> 0)

Financial Integrity Rating System of Texas

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?

   Yes – Ceiling Passed; the 3-year average change was -23.26%

- This indicator measures strength of fund balance.

Financial Integrity Rating System of Texas

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)?

Yes, at 98.1581 days – 10 out of 10 points

- 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.

Formula: (Cash and Equivalents of $26,494,790) *Divided by* (Total Expenditures of $98,520,573 *Minus* Facilities Acquisitions and Construction of $0) *Multiplied by* 365 *Equals* ~98.1582 (10 out of 10 Points)

Financial Integrity Rating System of Texas

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

Yes with a 5.5732 ratio – 10 out of 10 points

- This indicator measures whether the school district has sufficient short-term assets to pay off its short-term liabilities.

Formula: Current Assets of $188,594,333 *Divided by* Current Liabilities of $33,839,637 *Equals* 5.5732 (10 out of 10 Points)

Financial Integrity Rating System of Texas

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?

<u>Yes – The number of days of cash on hand ~ 98.1582</u>
<u>10 out of 10 points</u>

- Formula: (Total Cash & Equivalents of $26,494,790) *Divided by* (Total Expenditures of $98,520,573 *Minus* Facilities Acquisitions and Construction of $0) *Multiplied by* 365 *Equals* ~98.1582

Financial Integrity Rating System of Texas

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 out of 10 points

- This indicator measures the accuracy of budgeted local and state revenue by comparing the amounts budgeted in the general fund to the actual amounts earned for the last three years.

  Formula: [(2022-2023 Actual Revenues minus 2022-2023 Budgeted Revenues) divided by (2022-2023 Budgeted Revenues) Plus (2023-2024 Actual Revenues minus 2023-2024 Budgeted Revenues) divided by (2023-2024 Budgeted Revenues) Plus (2024-2025 Actual Revenues minus 2024-2025 Budgeted Revenues) divided by (2024-2025 Budgeted Revenues)] divided by 3

  [($82,249,416 - $84,196,145)/($84,196,145) + ($87,217,608 - $90,817,695)/($90,817,695) + ($93,648,048 - $94,446,950)/($94,446,950)] / 3 = -2.37% = 10 points

Financial Integrity Rating System of Texas

11. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?

0.7443 ratio – 6 out of 10 points

- This indicator measures whether the school district had sufficient assets to cover its long-term liabilities.
- This indicator does not favor schools in the midst of a bond project.

Formula: Long Term Liabilities of $429,712,320 *Divided by* Total Assets of $577,355,008 *Equals* 0.7443 (6 out of 10 Points)

Financial Integrity Rating System of Texas

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

8 out of 10 points

- This indicator asks about the school district's ability to make debt principal and interest payments. Did we meet or exceed the target amount set for the School FIRST program?

  Formula: (Total Local and Intermediate Sources divided by Total Revenue), multiplied by Long Term Liabilities, multiplied by 100, and divided by Assessed Property Value

  ($37,292,915 ÷ $39,852,708) x ($429,712,320) x 100 ÷ $7,644,462,636 = 5.2602 = 8 points

Financial Integrity Rating System of Texas

13. This indicator is not being evaluated.

<u>10 out of 10 points</u>

Financial Integrity Rating System of Texas

14. Did the school district <u>not</u> have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? If the student enrollment did not decrease, the school district will automatically pass this indicator.

<u>YES – 10 out of 10 points</u>

<u>Formula</u>: (24-25 Total Enrollment divided by 24-25 Number of FTE Staff), divided by (22-23 Total Enrollment divided by 22-23 Number of FTE Staff) minus 1

(7,788 ÷ 1,260.2296) ÷ (7,767 ÷ 1,114.9711) - 1 = -0.1129 = 10 points

Financial Integrity Rating System of Texas

15. Was the school district's ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA?

5 out of 5 points

- This indicator measures whether the ISD completed the biennial pupil projections within a determined range.

Formula: (Actual ADA of 6,976.212 *Minus* Projected ADA of 7,025.915) *Divided by* Projected ADA of 7,025.915 = -0.007074

Financial Integrity Rating System of Texas

16. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's Annual Financial Report (AFR) result in a total variance of less than 3 percent of all expenditures by function?

Ceiling Passed - PEIMS varied from AFR by 0.0000008%

Formula: Sum of Differences of $75 ÷ Total Expenditures of $98,520,572 Equals 0.0000008%

Financial Integrity Rating System of Texas

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?

YES (Ceiling passed)

18. Did the external independent auditor indicate that 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.)

YES (10 out of 10 Points)

Financial Integrity Rating System of Texas

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?

YES (5 out of 5 Points)

20. Did the school district's administration 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 it budget?

YES (Ceiling Passed)

Financial Integrity Rating System of Texas

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 financial hardship?

NO (Ceiling Passed)

Total SISD Score: 94

Required Supplemental Disclosures

For the Twelve-Month Period Ended June 30, 2025

Description	Thomas O'Neal Supt	Nathan Cain Board	Paul Manley Board	Brad Morgan Board	Jennifer Shelby Board	David Tarvin Board	Sean Vanderveer Board	Wendy Vellotti Board	Anna Wylie Board
Meals	$156.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Lodging	$3,106.35	$843.24	$0.00	$471.72	$707.58	$854.55	$881.61	$881.61	$707.58
Transportation	$1,372.67	$122.88	$342.44	$122.88	$226.80	$122.88	$0.00	$0.00	$0.00
Motor Fuel	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other	$1,425.00	$685.00	$0.00	$685.00	$685.00	$685.00	$685.00	$685.00	$685.00
Total	$6,060.02	$1,651.12	$342.44	$1,279.60	$1,619.38	$1,662.43	$1,566.61	$1,566.61	$1,392.58

Note – The spirit of the rule is to capture all "reimbursements" for fiscal year 2024, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

- Meals – Meals consumed out of town and in-district meals at area restaurants (excludes catered meals for board meetings).
- Lodging – Hotel charges.
- Transportation – Airfare, car rental (can include fuel on rental), taxis, mileage reimbursements, leased cars, parking and tolls.
- Motor fuel – Gasoline.
- Other – Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements to (or on-behalf of) the superintendent and board members not defined above.

Required Supplemental Disclosures

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services	
For the Twelve-Month Period	
Ended June 30, 2025	
Name(s) of Entity(ies)	Amount Received
	$0
Total	$0.00

Note – Compensation does not include business revenues generated from a family business (farming, ranching, etc.) that has no relation to school district business.

Gifts Received by Executive Officers and Board Members (and First-Degree Relatives, if any) (gifts that had an economic value of $250 or more in the aggregate in the fiscal year)

For the Twelve-Month Period
Ended June 30, 2025

	Superintendent	Board Nathan Cain	Board Paul Manley	Board Brad Morgan	Board Jennifer Shelby	Board David Tarvin	Board Sean Vanderveer	Board Wendy Vellotti	Board Anna Wylie
Totals	$0	$0	$0	$0	$0	$0	$0	$0	$0

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification for local officials.

Business Transactions Between School District and Board Members

For the Twelve-Month Period
Ended June 30, 2025

	Board Nathan Cain	Board Paul Manley	Board Brad Morgan	Board Jennifer Shelby	Board David Tarvin	Board Sean Vanderveer	Board Wendy Vellotti	Board Anna Wylie
Totals	$0	$0	$0	$0	$0	$0	$0	$0

Note – The summary amounts reported under this disclosure are not to duplicate the items disclosed in the summary schedule of reimbursements received by board members.

Required Supplemental Disclosures

SUPERINTENDENT'S EMPLOYMENT CONTRACT

STATE OF TEXAS §
§ KNOWN BY ALL THESE PRESENTS:
COUNTY OF GRAYSON §

THIS SUPERINTENDENT'S EMPLOYMENT CONTRACT ("Contract") is made and entered into and effective the 20th day of January, 2026, by and between the Board of Trustees, hereinafter referred to as the "BOARD," of the Sherman Independent School District, hereinafter referred to as the "DISTRICT," and Dr. Thomas O'Neal, hereinafter referred to as the "SUPERINTENDENT."

I.
TERM OF EMPLOYMENT

The Board, by and on behalf of the District, does hereby employ the Superintendent under Section 11.201(b) and Section 21.201 *et seq.* of the Texas Education Code as Superintendent of the District, and the Superintendent does hereby accept employment as Superintendent of the District for a term commencing on January 20, 2026 and ending on June 30, 2029. The District may, by action of the Board, and with the consent and approval of the Superintendent, extend or renegotiate the Contract to a term permitted by state law. This Contract creates no property interest of any kind beyond the period of time stated in the Contract.

II.
EMPLOYMENT

2.1 **Duties.** The Superintendent shall be the chief executive officer and educational leader of the District and shall faithfully perform the duties of the Superintendent of the District as prescribed in the job description and as may be lawfully assigned by the Board, and shall administer the District in accordance with all lawful Board directives, state and federal law, and District policy, rules and regulations, as they exist or may hereafter be amended, such laws, policies, rules, and regulations being expressly made a part of this Contract.

Specifically, it shall be the duty of the Superintendent to employ all personnel consistent with the Board's policies and applicable state law. It shall be the further duty of the Superintendent to direct, assign, reassign, and evaluate all of the employees of the District consistent with Board policies and federal and state law. It shall further be the duty of the Superintendent to organize, reorganize and arrange the staff of the District subject to Board policies and state and federal law and to develop and establish administrative regulations, rules and procedures which the Superintendent deems necessary for the efficient and effective operation of the District and which are consistent with the Board policies and state and federal law. It shall be the further duty of the Superintendent to accept all resignations of employees of the District, consistent with the Board's policies, except that the Superintendent's resignation must be accepted by the Board. The Superintendent shall perform his duties for the District to the best of his ability. All duties assigned to the Superintendent by the Board shall be appropriate to and consistent with the professional role and responsibility of the Superintendent as set forth in Board policies and in federal and state law.

2.2 **Board Meetings.** The Superintendent or the Superintendent's designee shall attend all meetings of the Board, both public and closed, and shall participate in the deliberations of the Board on all matters with the exception of those closed meetings devoted to the consideration of any action or lack of action on the Superintendent's Contract, the Superintendent's salary and benefits as set forth in the Contract and/or the Superintendent's evaluation, or for purposes of resolving conflicts between individual Board members, or when the Board is acting in its capacity as a tribunal. In the event of illness or Board-approved absence, the Superintendent's designee shall attend such meetings. In accordance with section 11.051(a-1) of the Education Code, the Board shall provide the Superintendent an opportunity to provide verbal 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.

2.3 **Board Committee Meetings.** The Superintendent or the Superintendent's designee shall be an ex-officio member of all committees of the Board, unless otherwise provided by Board action, and shall attend all Board Committee Meetings and Board-authorized and approved citizen committee meetings. Further, the Superintendent shall provide recommendation(s) and/or information as to each of the items of business considered at each meeting as needed or requested by the Board.

2.4 **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 either: (a) to the Superintendent for study and/or appropriate action, and the Superintendent shall refer such matter(s) 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 District Board policies.

2.5 **Professional Certification.** The Superintendent shall at all times during the term of this Contract, and any renewal or extension thereof, hold and maintain a valid certificate required of a superintendent by the State of Texas and issued by the Texas Education Agency.

2.6 **Reassignment.** The Superintendent cannot be reassigned from the position of Superintendent to another position without the Superintendent's express written consent.

2.7 **Indemnification.** To the extent it may be permitted to do by applicable law, including, but not limited to Texas Civil Practice & Remedies Code Chapter 102, the District does hereby agree to defend, hold harmless, and indemnify Superintendent from any and all demands, claims, suits, actions, judgments, expenses and attorneys' fees incurred in any legal proceedings brought against Superintendent in the Superintendent's individual or official capacity as an employee and as Superintendent of the District, providing the incident(s), which is (are) the basis of any such demand, claim, suits, actions, judgments, expenses and attorneys' fees, arose or does arise in the future from an act or omission of Superintendent as an employee of the District, acting within the course and scope of Superintendent's employment with the District; excluding, however, any such demand, claim, suits, actions, judgments, expenses and attorneys' fees for those claims or any causes of action where it is determined that Superintendent committed official misconduct, or committed a willful or wrongful act or omission, or an act or omission constituting gross negligence, or acted in bad faith; and excluding any costs, fees, expenses or damages that would be recoverable or payable under an insurance contract, held either by the District or by Superintendent. The selection of Superintendent's legal counsel shall be with the mutual agreement of Superintendent and the District if such legal counsel is not also District's legal counsel. A legal defense may be provided through insurance coverage, in which case Superintendent's right to agree to legal counsel provided for him will depend on the terms of the applicable insurance contract. To the extent this Section 2.7 exceeds the authority provided and limitations imposed by Texas Civil Practice & Remedies Code, Chapter 102, it shall be construed and modified accordingly. The provisions of this Section 2.7 shall survive the termination of this Contract.

III.
COMPENSATION

3.1 **Salary.** The District shall provide the Superintendent with an annual salary in the sum of TWO HUNDRED THIRTY-EIGHT THOUSAND THREE HUNDRED FORTY-FOUR AND 40/100
DOLLARS ($238,344.40). The annual salary amount may be increased each year by an amount, or a percentage determined by the Board at the January regular meeting of the Board of Trustees. This annual salary rate shall be paid to the Superintendent in equal installments consistent with the Board's policies. This salary provision shall replace and supersede immediately any salary provision in previous contracts between the parties.

3.2 **Supplemental Retirement Plan.** For each payroll period beginning September 17, 2024 and for each year thereafter during the term of this Contract, the District shall add to the monthly Salary of the Superintendent the amount needed each month to contribute 40% of the combined maximum voluntary salary reduction contributions permitted by the Internal Revenue Code (the "Code") for a 403(b) and 457(b) plan, including, if applicable, the additional deferral allowed for plan participants who are age 50 or older ("Additional Salary"), by the end of the calendar year. 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 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 plans established by the District under Sections 403(b) and/or 457(b) of the Code. 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 at all times be 100% vested in his account under the 403(b) and/or 457(b) plans. These contributions shall be treated as a salary deferral 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.

3.3 **Salary Adjustments.** At any time during the term of this Contract, the Board may, in its discretion, review and adjust the salary of the Superintendent, but in no event shall the Superintendent be paid less than the salary set forth pursuant to Section 3.1 of this Contract. Such adjustments, if any, shall be in the form of a written addendum to this Contract or a new contract, and such adjustment shall be exclusive of any insurance policy or other benefits, unless specifically

Required Supplemental Disclosures

provided in the addendum or new contract. The Superintendent shall also be paid the same amount of any one-time payments to the District's teaching staff as approved by the Board. On July 1st of each year during the term of this Contract, including any extensions thereof, the Superintendent's total TRS creditable compensation (sum of sections 3.1, 3.2 and 3.4.4) shall be automatically increased by an amount equal to the greater of (i) the same percentage raise, if any, given to the District's Administrators/Professional Pay Grade 8 or higher employees or (ii) a percentage mutually agreeable to the Board and the Superintendent

3.4 **Other Benefits.**

3.4.1 **Expenses.** The District shall pay or reimburse the Superintendent for reasonable expenses incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract. The District agrees to pay the actual and incidental costs incurred by the Superintendent for the reasons of district-related travel to destinations outside of Grayson County; such costs may include, but are not limited to, gasoline, mileage, hotels and accommodations, meals, rental car and other expenses incurred in the performance of the business of the District.

3.4.2 **Life Insurance.** The District shall reimburse the Superintendent for the purchase of a term life insurance policy for the Superintendent. The face amount shall not be less than the Superintendent's annual salary, as same may be adjusted from time to time pursuant to this Contract. Ownership of any policy purchased is vested in the Superintendent and the Superintendent shall have the sole right to select the beneficiary(ies) under the policy.

3.4.3 **Vacations, Holidays, Sick Leave.** The Superintendent shall be privileged to take, at the Superintendent's choice, the greater of ten (10) vacation/flex days annually or the same number of days of vacation/flex days authorized by policies adopted by the Board for administrative employees on twelve-month contracts, the days to be taken in a single period or at different times. The vacation days taken by the Superintendent will be taken at such times or times as will least interfere with the performance of the Superintendent's duties as set forth in the Contract. The Superintendent's accrued and unused vacation days shall accumulate and carry over from year to year. 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 any accrued but unused vacation/flex days, up to a maximum of three (3) accrued but unused vacation/flex days annually, at the Superintendent's daily rate of pay as of the payment date, determined by dividing the Superintendent's then current TRS creditable compensation by 226 ("Daily Rate"). At retirement or when the Contract is terminated, either voluntarily or involuntarily, the District shall pay in lump sum to the Superintendent all accrued but unused vacation/flex days up to a maximum of forty (40) days, to be paid at the Superintendent's Daily Rate as of the payment date. The Superintendent shall observe the same legal holidays as provided by Board policies for administrative employees on twelve-month contracts. The term "legal holiday(s)" includes days for which the District's central administration office is closed. The Superintendent is hereby granted the same number of illness benefits and leave as authorized by Board policies for administrative employees on twelve-month contracts, the days to be taken in a single period or at different times.

3.4.4 **TRS Salary Supplement.** 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 salary supplement shall include both the retirement and TRS-Care parts of the TRS member contribution, as applicable but shall not be limited by Internal Revenue Code (IRC) §401(a)(17)(A). In other words, for purposes of calculating the amount of supplemental salary under this section, the supplemental salary shall be calculated as if the Superintendent entered the TRS System prior to September 1, 1996. 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.

3.4.5 **Professional Growth.** The Superintendent shall devote the Superintendent's time, attention and energy to the direction, administration and supervision of the District. The Board, however, encourages the continued professional growth of the Superintendent through the Superintendent's active attendance and participation in appropriate professional meetings at the local, regional, state and national levels. The Board shall also encourage the participation of the Superintendent in pertinent education seminars and courses by public or private institutions or by educational associations, as well as the participation in the informational meetings with those individuals whose particular skills, expertise or backgrounds would serve to improve the capacity of the Superintendent to perform the Superintendent's professional responsibilities for the District. In its encouragement of the Superintendent to grow professionally, the District shall permit a reasonable amount of release time for the Superintendent, as the Superintendent and Board deem appropriate, to attend such seminars, courses or meetings. The District shall pay the Superintendent's membership dues to the American Association of School Administrators and the Texas Association of School Administrators, as well as other memberships which the Superintendent and Board mutually agree are necessary to maintain and improve the Superintendent's professional skills. The District shall bear the reasonable costs and expenses for such attendance and membership.

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

3.4.7 **Outside Employment and Consulting Activity.** Any outside employment or consulting activity of the Superintendent requires Board approval in advance of accepting such employment or consulting activity. If the Board approves such employment or consulting activity, the Superintendent understands and agrees to use accrued vacation/flex for periods of absence.

3.4.8 **Employee Benefits/Employee Benefit Plans.** 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 including, without limitation, any stipends/bonuses/incentives provided to other administrative employees of the District. 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. The Superintendent shall be entitled to participate in 401(a) and 457 Employee Benefit Plans established by the District under the same terms and conditions set out in the plan document for such plans applicable to all employees of the District. The Superintendent may participate in a salary reduction agreement with the District as provided by Section 403(b) of the Internal Revenue Code and guidelines established by the Texas Teacher Retirement System.

3.4.9 **Performance Bonus.** The Superintendent shall be entitled to an annual performance bonus in the amount of up to five percent (5%) of the Superintendent's annual salary. The performance bonus shall be at the discretion of the Board and dependent upon the Board's evaluation of the Superintendent and consideration of District results and Board goals, including but not limited to STAAR testing results, College Career and Military Readiness ("CCMR"), and other factors determined by the Board during a meeting of the Board of Trustees.

IV.
PHYSICAL CONDITION AND DISABILITY

4.1 **Annual Physical Examination.** The Superintendent shall undergo an annual comprehensive physical examination performed by a licensed physician of the Superintendent's choice including, without limitation, the Cooper Clinic. The annual physical examination as provided herein, may include laboratory analysis of blood, urine, stress, EKG and other procedures as deemed appropriate by the licensed physician. The physician shall submit a confidential statement to the Board verifying the Superintendent's fitness to perform the Superintendent's duties. These reports will be maintained as confidential medical records to the extent permitted by law. The District shall pay all costs of the annual physical examination.

4.2 **Disability.**

a. **Disability Procedure.** Should the Superintendent be unable to perform any or all of the essential functions of the material duties of his position by reason of illness, accident, etc., following complete exhaustion of all accrued vacation and sick leave, the Superintendent may be placed on unpaid leave from the District upon a determination of Long Term or Permanent Disability as hereinafter provided; provided, however, that the Board, in its discretion, may continue to pay the Superintendent the compensation amount under this Contract for any period the Board deems appropriate.

b. **Long Term or Permanent Disability.** Long Term or Permanent Disability means a disability which renders the Superintendent incapable of performing any or all of the essential functions of the Superintendent's material duties or obligations of employment for a period which exceeds one hundred and eighty (180) business days or such an incapacity that is irreparable.

c. **Determination of Long Term or Permanent Disability.** The determination of Long Term or Permanent Disability will be made by the Board based on a physical examination performed by a licensed physician selected by the Superintendent. The Board may obtain a second opinion from another licensed physician. The costs of the physical examinations provided for herein shall be paid by the District.

Required Supplemental Disclosures

d. **Action of the Board.** In the event that the disability of the Superintendent is a Long Term or Permanent Disability, as defined in subparagraph (b) of Section 4.2, the Board, may, in its discretion, and upon a re-determination of disability under subparagraph (c), terminate this Contract by providing the Superintendent with written notice of such termination.

V.
ANNUAL PERFORMANCE GOALS

5.1 **Annual Goals.** The Superintendent shall submit to the Board a preliminary list of goals for the District each year for the Board's consideration and adoption. The Superintendent and the Board shall then meet, and the Board shall approve or revise the list of goals. The Superintendent shall submit to the Board for its approval a plan to implement the goals. The Superintendent and the Board shall meet biannually to assess the goals and may adjust or revise the goals either by action of the Board or upon recommendation of the Superintendent and approval of the Board.

5.2 **Performance Criteria.** The goals approved by the Board shall be specific, definitive and measurable, to the extent feasible. The goals developed by the Superintendent and approved by the Board shall at all times be reduced to writing and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated. The Board agrees to work with and support the Superintendent in implementing these goals.

VI.
REVIEW OF PERFORMANCE

6.1 **Time and Basis of Evaluation.** The Board shall evaluate and assess in writing the performance of the Superintendent once each year during the term of this Contract. The evaluation and assessment shall be reasonably related to the duties of the Superintendent and the goals and objectives approved by the Board for the year of evaluation.

6.2 **Confidentiality.** The evaluation of the Superintendent shall at all times be conducted in executive session unless a public hearing is requested by the Superintendent, and the evaluation and information concerning the evaluation, of whatever nature, shall be considered confidential information, as provided by law. Nothing herein shall prohibit the Board or the Superintendent from sharing the content of the Superintendent's evaluation with their respective legal counsel.

6.3 **Evaluation Format and Procedure.** The evaluation format and procedure shall be in accordance with the Board's policies and state and federal law. In the event that the Board determines that the performance of the Superintendent is unsatisfactory in any respect, it shall describe in writing, in reasonable detail, specific instances of unsatisfactory performance. The evaluation shall include recommendations as to areas of improvement in all instances where the Board deems performance to be unsatisfactory. A copy of the written evaluation shall be delivered to the Superintendent. The Superintendent shall have the right to make a written response to the evaluation. That response shall become a permanent attachment to the evaluation in the Superintendent's personnel file. Within thirty (30) days of the delivery of the written evaluation to the Superintendent, the Board shall meet with the Superintendent to discuss the evaluation. The Board shall devote a portion of, or all of, one executive session annually to a discussion of the working relationship between the Superintendent and the Board. It is also agreed that the Superintendent and Board will hold at least a semi-annual evaluation conference with a format agreeable to both sides. In the event the Board deems that the evaluation instrument, format, and/or procedure is to be modified by the Board and such modifications would require new or different performance expectations, 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.

VII.
EXTENSION/NONRENEWAL OF EMPLOYMENT CONTRACT

7.1 **Extension.** Following the annual evaluation of the Superintendent, the Board may consider extension of the Superintendent's Contract.

7.2 **Non-renewal.** Non-renewal shall be in accordance with Board policy and applicable state and federal law, and the Superintendent shall be afforded all applicable rights as set forth in Board policies and state and federal law.

7.3 **Non-renewal Procedure.** In the event the Board proposes to not renew this Contract, the Superintendent shall be afforded all applicable rights as set forth in the Board's policies and state and federal law. Notwithstanding anything to the contrary in Section 21.212(a) of the Texas Education Code, the Superintendent shall be entitled to written notice, containing reasonable notice of the reason for the proposed nonrenewal, not later than 45 days before the last day of the Contract term.

VIII.
TERMINATION OF EMPLOYMENT CONTRACT

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

8.2 **Retirement, Death.** This Contract shall be terminated upon the retirement or death of the Superintendent.

8.3 **Resignation.** The Superintendent may relinquish the position and duties of the Superintendent and leave the employment of the District at the end of any school year without penalty, provided the Superintendent submits a resignation in writing to the Board forty-five (45) days prior to the first day of instruction of the following school year.

8.4 **Dismissal for Good Cause.** The Board may dismiss the Superintendent at any time for good cause. The term "good cause" is defined as the failure of the Superintendent to perform the duties in the scope of his employment that a person of ordinary prudence would have done under the same or similar circumstances, and includes, but is not necessarily limited to:

(a) Failure to fulfill duties or responsibilities as set forth under the terms and conditions of this Contract;
(b) Incompetence or inefficiency in the performance of required or assigned duties as documented by evaluations, supplemental memoranda, or other written communication from the Board; provided, however, the terms and conditions of this paragraph shall not justify good cause unless the Board has provided the Superintendent a reasonable opportunity to remediate any incompetency or inefficiency;
(c) Insubordination or failure to comply with lawful written Board directives;
(d) Failure to comply with the Board's policies or the District's administrative regulations;
(e) Neglect of duties;
(f) Drunkenness or excessive use of alcoholic beverages;
(g) Illegal use of drugs, hallucinogens, or other substances regulated by the Texas Controlled Substances Act;
(h) Conviction of a felony or crime involving moral turpitude;
(i) Failure to meet the District's standards of professional conduct;
(j) Failure to comply with reasonable District professional development requirements regarding advanced course work or professional development;
(k) Disability, not otherwise protected by law, that impairs performance of the required duties of the Superintendent;
(l) Immorality, which is conduct the Board determines is not in conformity with the accepted moral standards of the community encompassed by the District. Immorality is not confined to sexual matters, but includes conduct inconsistent with rectitude or indicative of corruption, indecency, or depravity;
(m) Assault on an employee or student;
(n) Knowingly falsifying records or documents related to the District's activities;
(o) Conscious misrepresentation of facts to the Board or other District officials in the conduct of the District's business;
(p) Failure to fulfill requirements for superintendent certification; or,
(q) Any other reason constituting "good cause" under Texas law.

8.5 **Termination Procedure.** In the event that the Board terminates and/or proposes to terminate this Contract, the Superintendent shall be afforded all the rights as set forth in the Board's policies and state and federal law.

8.6 **Suspension.** In accordance with Chapter 21 of the Texas Education Code, the Board may suspend the Superintendent without pay during the term of this Contract for good cause as determined by the Board. In the event that the Board suspends or proposes to suspend the Superintendent without pay, the Superintendent shall be afforded all the rights as set forth in the Board's policies and state and federal law.

IX.
MISCELLANEOUS

9.1 **Controlling Law.** The Contract shall be governed by the laws of the State of Texas and shall be performable in Grayson County, Texas. Venue for any legal action arising under this

Required Supplemental Disclosures

Agreement shall be in a state court of competent jurisdiction in Grayson County, Texas, unless state or federal law require a different venue.

9.2 **Complete Agreement.** This Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement of the undersigned parties.

9.3 **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.

9.4 **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. All existing agreements and contracts, both verbal and written, between the parties hereto regarding the employment of the Superintendent for the term stated herein have been superseded by this Contract, and this Contract constitutes the entire agreement between the parties unless amended pursuant to the terms of this Contract.

9.5 **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.

9.6 **Authority**. The Board President and Secretary have been authorized to execute this Contract on behalf of the District by action of a majority of a quorum of the Trustees present at a properly called and posted meeting on January 20, 2026.

[signatures to follow]

IN WITNESS WHEREOF, all the parties hereto have executed the Contract in multiple originals to be effective from and after January 20, 2026.

SHERMAN INDEPENDENT SCHOOL DISTRICT

By: Wendy Vellotti
Wendy Vellotti, President, Board of Trustees

Executed this 23 day of January, 2026

ATTEST:

By: D B
David Tarvin, Secretary, Board of Trustees

Executed this 23 day of January, 2026

SUPERINTENDENT

By: Thomas O'Neal
Thomas O'Neal

Executed this 23 day of January, 2026

SHERMAN

INDEPENDENT SCHOOL DISTRICT

Financial Integrity Rating System of Texas 2025-26 Ratings

SCHOOLS FIRST

FINANCIAL INTEGRITY RATING SYSTEM OF TEXAS

Questions?

November 16, 2026