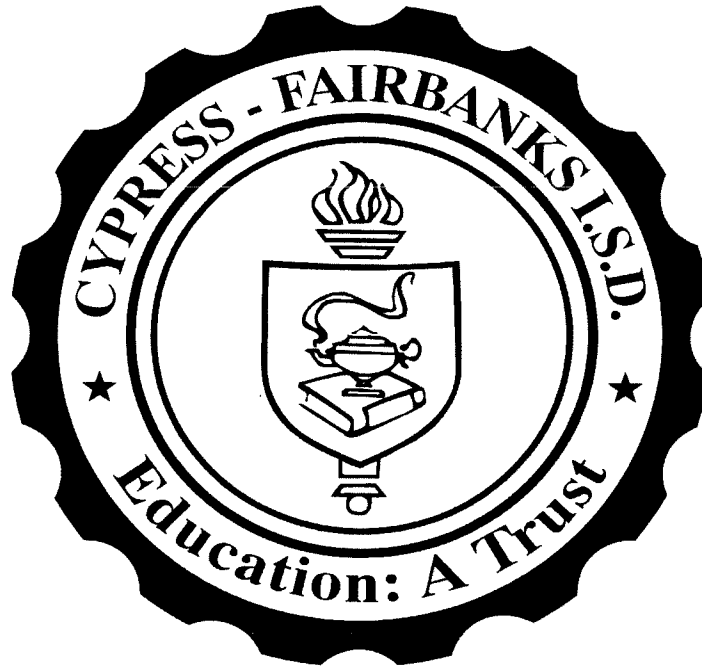


ANNUAL FINANCIAL MANAGEMENT REPORT

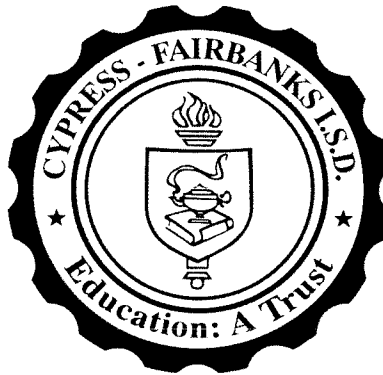


For The Year Ended June 30, 2010

**CYPRESS-FAIRBANKS
INDEPENDENT SCHOOL DISTRICT**

**10300 Jones Road
Houston, Texas 77065**

ANNUAL FINANCIAL MANAGEMENT REPORT



For The Year Ended June 30, 2010

David G. Anthony, Ed.D.
Superintendent of Schools

Stuart R. Snow, Jr., CPA, RTSBA
**Associate Superintendent for Business &
Financial Services**

Karen W. Smith, CPA, RTSBA
**Assistant Superintendent for Business &
Financial Services**

**CYPRESS-FAIRBANKS
INDEPENDENT SCHOOL DISTRICT**

**10300 Jones Road
Houston, Texas 77065**

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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 76th 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 77th 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 improved 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.

The Schools FIRST rating system consists of 22 base indicators that analyze trends relating to financial management efficiencies and the examination of these trends support data driven decisions relating to future budgetary allocations.

The Schools FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being "Superior Achievement," followed by "Above-Standard Achievement," "Standard Achievement" and "Substandard Achievement." Districts with serious data quality problems may receive the additional rating of "Suspended – Data Quality." Districts that receive the "Substandard Achievement" or "Suspended – Data Quality" 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 22 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.

Cypress-Fairbanks Independent School District currently has a rating of "**Superior Achievement**" with 21 out of 22 indicators receiving the highest possible number of points. This report briefly focuses on the details of what the District has accomplished to obtain this highest rating.

Financial Accountability Ratings Worksheet**Date:****School Year 2009 - 2010****8/31/2011****Fiscal Year Ended June 30, 2010****County District #101-907****District Name: Cypress-Fairbanks ISD****Rating: SUPERIOR ACHIEVEMENT**

Indicator Description		Score
1	Was the total fund balance less reserved fund balance greater than zero in the General Fund?	Yes
2	Was the total unrestricted net asset balance (net of accretion of interest on capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the District's five-year percent change in students was 10% or more, then answer Yes.)	Yes
3	Were there no disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	Yes
4	Was the Annual Financial Report filed within one month after November 27th or January 28th deadline depending upon the District's fiscal year end date (June 30th or August 31st)?	Yes
5	Was there an Unqualified Opinion in the Annual Financial Report?	Yes
6	Did the Annual Financial Report not disclose any instance(s) of material weaknesses in internal controls?	Yes
7	Did the District's academic rating exceed academically unacceptable?	5
8	Was the three-year average percent of total tax collections (including delinquent) greater than 98%?	5
9	Did the comparison of PEIMS data to like information in Annual Financial Report result in an aggregate variance of less than 3% of expenditures per fund type (data quality measure)?	5
10	Were debt related expenditures (net of IFA and/or EDA Allotment) < \$350.00 per student? (If the District's five-year percent change in students = or > 7%, or if property taxes collected per penny of tax effort > \$200,000 per student, the District receives 5 points.)	5
11	Was there no disclosure in the annual audit report of material noncompliance?	5
12	Did the District have full accreditation status in relation to financial management practices (e.g. no conservator or monitor assigned)?	5
13	Was the aggregate of budgeted expenditures and other uses less than the aggregate of total revenues, other resources and fund balance in General Fund?	5

14	If the District's aggregate fund balance in the General Fund and Capital Projects Fund was less than zero, were construction projects adequately financed? (To avoid creating or adding to the fund balance deficit situation.)	5
15	Was the ratio of cash and investments to deferred revenues (excluding amount equal to net delinquent taxes receivable) in the General Fund greater than or equal to 1:1? (If deferred revenues are less than net delinquent taxes receivable, the District receives 5 points.)	5
16	Was the administrative cost ratio less than the threshold ratio?	5
17	Was the ratio of students to teachers within the ranges shown below according to District size?	5
18	Was the ratio of students to total staff within the ranges shown below according to District size?	5
19	Was the total fund balance in the General Fund more than 50% and less than 150% of optimum according to the fund balance and cash flow calculation worksheet in the Annual Financial Report?	5
20	Was the decrease in undesignated, unreserved fund balance < 20% over two fiscal years? (If 1.5 times optimum fund balance < total fund balance in General Fund or if total revenues > operating expenditures in the General Fund, the District receives 5 points.)	5
21	Was the aggregate total of cash and investments in the General Fund more than \$0?	5
22	Were investment earnings in all funds (excluding Debt Service Fund and Capital Projects Fund) more than \$20 per student?	0
		75 Weighted Sum
		1 Multiplier Sum
		75 Score

DETERMINATION OF RATING

A.	Did the District answer "No" to Indicators 1, 2, 3 or 4? OR Did the District answer "No" to both 5 and 6? If so, the District's rating is Substandard Achievement .	
B.	Determine rating by applicable range for summation of the indicator scores (Indicators 7 - 22).	
	Superior Achievement	72 - 80 and Yes to indicator 7
	Above Standard Achievement	64 - 71 or ≥ 72 and No to indicator 7
	Standard Achievement	56 - 63
	Substandard Achievement	< 56 or No to one default indicator

Indicator 17	Ranges for Ratios	
	Low	High
District Size - Number of Students Between		
< 500	7	22
500-999	10	22
1,000-4,999	11.5	22
5,000-9,999	13	22
$\geq 10,000$	13.5	22

Indicator 18	Ranges for Ratios	
	Low	High
District Size - Number of Students Between		
< 500	5	14
500-999	5.8	14
1,000-4,999	6.3	14
5,000-9,999	6.8	14
$\geq 10,000$	7	14

Indicators 7 - 22
A district can earn up to five points on these indicators based upon its relative performance.

DISCUSSION OF BASE INDICATORS

1. Was the total fund balance less reserved fund balance greater than zero in the General Fund?

The District must legally have a fund balance to ensure adequate funding for operations. This indicator is designed to ensure that the District has a positive amount of fund balance cash (savings) that is not designated or reserved for a specific purpose. In other words, “Does the District have funds set aside for a rainy day?”

Cypress-Fairbanks ISD had a fund balance less reserved fund balance of \$98,314,811.

2. Was the total unrestricted net asset balance (net of accretion of interest on Capital Appreciation Bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the District’s five-year percent change in students was 10% or more, then answer YES.)

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

Cypress-Fairbanks ISD had a total unrestricted net asset balance of \$165,248,222 (net of accretion of interest on the Capital Appreciation Bonds).

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

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

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

4. Was the Annual Financial Report filed within one month after November 27th or January 28th deadline depending upon the District’s fiscal year end date (June 30th or August 31st)?

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

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

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

A “qualified” report has a modification of the independent auditors’ report on the fair presentation of the financial statements indicating that there exists one or more specific exceptions to the auditors’ general assertion that the financial statements are fairly presented.

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

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

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

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

7. Did the District’s academic rating exceed academically unacceptable?

This indicator addresses the performance of students in the District pulled from a wide range of information.

Cypress-Fairbanks ISD had an academic rating of recognized in 2009-10.

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

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

Cypress-Fairbanks ISD maintained a 112.30% of total tax collections as a percent of the current tax levy, including delinquent taxes.

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

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

The District met this requirement with a variance level of 0%.

- 10. Were debt-related expenditures (net of IFA and/or EDA allotment) less than \$350 per student? (If the District's five-year percent change in students was a seven percent increase or more, or if property taxes collected per penny of tax effort were more than \$200,000 per student, the District receives 5 points.)**

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

Cypress-Fairbanks ISD had debt-related expenditures of \$1,147 per student. However, the District had a 20.67% increase in students in the past five years, and property tax collections of \$3,158,116 per penny of tax effort.

- 11. Was there no disclosure in the annual audit report of material noncompliance?**

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

Cypress-Fairbanks ISD has complied with all laws, rules and regulations that govern the District.

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

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

Cypress-Fairbanks ISD maintains full accreditation status and was under no sanctions for the 2009-10 fiscal year for financial or any other reasons.

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

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

The District met this requirement.

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

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

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

- 15. Was the ratio of cash and investments to deferred revenues (excluding amount equal to net delinquent taxes receivable) in the General Fund greater than or equal to 1:1? (If deferred revenues are less than net delinquent taxes receivable, the District receives 5 points.)**

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

The District’s deferred revenue of \$12,235,841 is less than its net delinquent taxes receivable of \$14,783,180 indicating that the District is not spending next year’s money in the current year.

- 16. Was the administrative cost ratio less than the threshold ratio?**

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

The cap on the administrative cost ratio set by TEA for the 2009-10 fiscal year was 11.05% for districts with a student population greater than 10,000. Cypress-Fairbanks ISD maintained an administrative cost ratio of 3.67% and met this requirement.

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

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

Cypress-Fairbanks ISD had a pupil-teacher ratio of 15.45 which was within the range for a district with more than 10,000 students.

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

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

Cypress-Fairbanks ISD had a pupil-staff ratio of 8.08 which was within the range for a district with more than 10,000 students.

- 19. Was the total fund balance in the General Fund more than 50% and less than 150% of optimum according to the fund balance and cash flow calculation worksheet in the Annual Financial Report?**

The worksheet named above provides an optimum General Fund “Fund Balance” for the District. The District should have no less than one-half and no more than one and one-half times this amount in the District’s fund balance, including both reserved and unreserved fund balances.

Cypress-Fairbanks ISD met this requirement with a total fund balance of 69.74% in reference to optimum fund balance.

- 20. Was the decrease in undesignated, unreserved fund balance less than 20 percent over two fiscal years? (If 1.5 times optimum fund balance is less than total fund balance in General Fund or if total revenues exceeded operating expenditures in the General Fund, then the District receives 5 points.)**

This indicator determines if the District is “feeding off of its fund balance” to pay for salaries or other district operating expenses. This indicator notes rapid decreases in the District’s undesignated, unreserved fund balance (those dollars not designated as a “land fund” or “construction fund”) or emergency fund.

Cypress-Fairbanks ISD had an increase in the undesignated, unreserved fund balance for the 2009-10 fiscal year.

- 21. Was the aggregate total of cash and investments in the General Fund more than \$0?**

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

Cypress-Fairbanks ISD had \$68,751,922 in cash and investments at June 30, 2010.

- 22. Were investment earnings in all funds (excluding Debt Service Fund and Capital Projects Fund) more than \$20 per student?**

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

Cypress-Fairbanks ISD’s investment earnings in all funds (excluding Debt Service and Capital Projects Fund) totaled \$407,155 which is \$3.92 per student.

OTHER DATA CONCERNING THE DISTRICT'S OPERATIONS

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

Financial Strength

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

Administrative Cost Comparison

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

<u>Year</u>	<u>Threshold</u>	<u>District Actual</u>
02-03	11.05%	5.22%
03-04	11.05%	5.57%
04-05	11.05%	5.33%
05-06	11.05%	5.18%
06-07	11.05%	4.63%
07-08	11.05%	4.55%
08-09	11.05%	3.87%
09-10	11.05%	3.67%

Personnel Management

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

Debt Management

The taxpayers of the District authorized a \$713 million bond program in December 2004, and an \$807 million bond program in November 2007 to fund construction, renovation, buses and technology projects and improvements. At June 30, 2010 the total outstanding general obligation and refunding bonds was \$1,815,170,000 with interest rates ranging from 2.00% - 6.63% and maturities until 2038. 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, 2010 the District had completed construction on two new elementary schools. In addition, construction is underway for one new middle school scheduled to open in August 2011. 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>
02-03	99.40%
03-04	99.10%
04-05	99.60%
05-06	99.10%
06-07	98.90%
07-08	101.55%
08-09	107.02%
09-10	112.30%

Cash Management

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

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

Budgetary Planning & Financial Allocations

The District's budget process usually begins in January each year. During the first month of planning, budget allocations are developed for each campus and department. The District allocates funds to campuses based on an estimate of student count. Support departments receive funds based on the previous year's budgets adjusted (up or down) for future years' needs. Special project requests for amounts supplemental to allocations are considered individually each year. Budget input is scheduled for March. In March, calculations of state and local tax revenues are completed and the budget starts to take on some form. April is the month the District is able to give the Board a view of how the next year's budget looks. In odd-numbered years, the legislature is in session, and that complicates and delays the budgeting process. The optimal time for making a public salary decision is May. Decisions are made on special project requests, revenue data is fine-tuned and a final budget is submitted to the Board of Trustees for approval in 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, Hereford, Lynch, Sellars & Kirkham. The auditors' responsibility is to report on the District's financial status and to ensure that the District is accurately handling the financial records within required standards. This report is a critical element of the accountability ratings worksheet, covering five criteria.

For the fiscal year ended June 30, 2010, the District received an "unqualified" 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 15 years from the Association of School Business Officials, International (ASBO), and for the past 14 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.

Schools FIRST Disclosures

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

For Superintendents:

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

For Board Members and Superintendents:

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

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

Financial Solvency:

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

APPENDIX

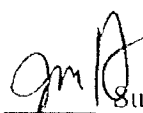
CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT

CONTRACT OF EMPLOYMENT

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

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

1. Term. The Board, by and on behalf of the District, hereby employs the Superintendent, and the Superintendent hereby accepts such employment, for a term commencing on July 18, 2011, and ending on June 30, 2016. This Contract shall automatically be extended annually for an additional one-year period beginning on July 1 and ending on June 30 of the following year, unless either party shall notify the other party in writing prior to February 1 of each year that it does not desire the Contract to be extended.
2. Duties. The Superintendent is the chief executive officer of the District. The Superintendent shall faithfully perform the duties of Superintendent of Schools for the District as prescribed by law, Board policies, the job description and as may be lawfully assigned by the Board from time to time. The Superintendent shall comply with all lawful Board directives, policies, rules and regulations, and state and federal laws, as they exist or may hereafter be amended or adopted during the term of this Contract. Except as provided in this Contract, the Superintendent agrees to devote his full time and energy to the performance of these duties in a faithful, diligent, conscientious and efficient manner.
3. Annual Base Salary. The Superintendent shall be paid an annual base salary of Two Hundred Ninety Five Thousand Dollars (\$295,000.00). On July 1 of any subsequent year of this Contract, or at any other time at which the Board is considering salary adjustments for administrative personnel, the Board may, in its sole discretion, increase the annual base salary of the Superintendent, provided that any such annual increase shall not be less than the average percentage increase received by the District's classroom teachers. 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.
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 shall be grounds for termination.

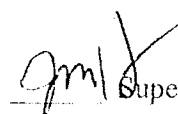


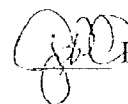
Superintendent's Initials



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. 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. Such expenses shall include, but are not limited to, travel, lodging, meals, membership and participation in civic and service organizations and projects within the District. The Superintendent shall receive and allowance of One Hundred Dollars (\$100.00) per month for use of his personal cellular phone to conduct District business. The Superintendent shall comply with all policies, procedures, and documentation requirements established by the Board, the District's independent auditors and state and federal laws regarding such business expenses. The Superintendent's expenses shall be subject to review by the District's independent auditors.
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. Automobile Expenses. The District shall provide the Superintendent with an additional monthly sum of One Thousand Dollars (\$1,000.00) as an automobile allowance. The Superintendent shall also receive automobile mileage at the District's approved reimbursement rate for travel outside of the District. These sums are intended to compensate the Superintendent for the use of his personal automobile in the performance of his duties on behalf of the District. In the event that the Superintendent's personal automobile becomes unavailable for use, the Superintendent's automobile allowance will be reduced on a daily pro rata basis for each day during a pay period for which the Superintendent is using a District automobile instead of a personal automobile, with the exception of travel for out-of-district purposes.
10. Health, Dental and Life Insurance. The District shall pay for the group health and hospitalization and dental insurance of the Superintendent's choice for the Superintendent and his immediate family under the District's group health and hospitalization and dental program established by the Board. The District shall provide the Superintendent with all other benefits on the same basis as other 12-month administrative employees of the District. In addition, the District shall pay the annual premium for a life insurance policy designated by the Superintendent, up to a total annual premium of Four Thousand Dollars (\$4,000.00).
11. TRS Contribution. The District shall pay or reimburse the Superintendent's monthly contribution to the Texas Teacher Retirement System during each year of the term of this contract.

 Superintendent's Initials

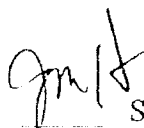
 Board President's Initials

12. Vacation and Holidays. The Superintendent may take, at the Superintendent's choice and subject to the Board's approval, twenty (20) days of vacation per year of this Contract, which may be accumulated up to a total of sixty (60) days. 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 any remaining accrued but unused accumulated vacation days at his then current daily rate of pay, based on two hundred and fifty (250) days of service per year during the term of this Contract.
13. Personal and Sick Leave. The Superintendent shall have the same personal and sick leave benefits as authorized by Board policies for 12-month administrative employees of the District.
14. Annual Physical Examination. The Superintendent shall undergo an annual physical examination performed by a licensed physician mutually acceptable to the Board and the Superintendent. The physician shall submit a confidential statement to the Board verifying the Superintendent's fitness to perform the Superintendent's duties, and copies of all such statements shall be confidential to the extent permitted by law. The District shall pay all reasonable and actual costs of the annual physical examination.
15. Annual Evaluation and Assessment of Performance. The Board shall evaluate and assess the performance of the Superintendent in writing in June of each year during the term of this Contract, and at such other times as deemed necessary and appropriate by the Board. The meetings at which the Board evaluates and assesses the performance of the Superintendent will be held in closed session unless the Board and the Superintendent mutually agree that they should be held in open session. The evaluation and assessment of performance shall be in accordance with the Board's policies and state and federal law, and shall be related to the duties of the Superintendent, as outlined in the Superintendent's job description.

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

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

16. 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.



Superintendent's Initials



Board President's Initials


- 17. 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.

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

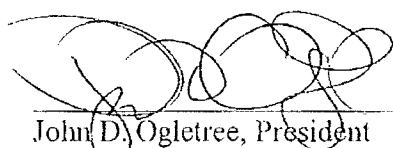
The Board shall not be required to pay any costs of any legal proceedings in the event the Board and the Superintendent are adverse to each other in any such proceedings.

The Superintendent shall fully cooperate with the District in the defense of any and all demands, claims, suits, actions and legal proceedings brought against the District. The Superintendent's obligation under this paragraph shall continue after the termination of this Contract.

 Superintendent's Initials

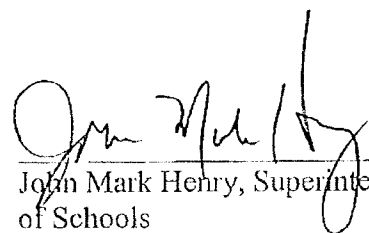
 Board President's Initials

- 19. Criticisms, Complaints, and Suggestions. The Board, individually and collectively, shall refer all substantive criticisms, complaints, and suggestions called to the Board's attention to the Superintendent for study and appropriate action, and the Superintendent shall investigate such matters and inform the Board of the results of such action.
- 20. Board Meetings. Unless otherwise prohibited by law, the Superintendent shall attend, and shall be permitted to attend, all meetings of the Board, both public and closed, with the exception of those closed meetings devoted to the consideration of any action or lack of action on the Contract or the Superintendent's salary and benefits as set forth in this Contract, or the Superintendent's evaluation and/or performance, or for purposes of resolving conflicts between individual Board members, or when the Board is acting in its capacity as a tribunal. In the event of illness or absence approved by the Board President, the Superintendent's designee shall attend such meetings.
- 21. Laptop Computer. The District shall provide the Superintendent with a laptop computer for both professional and personal use, at the sole expense of the District.
- 22. 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.
- 23. 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.
- 24. Complete Agreement. This Contract embodies the entire understanding and agreement of the parties, and supersedes all other agreements and understandings, both written and oral. Any additions, deletions or modifications to the terms and conditions of this Contract, including but not limited to changes in the term of the Contract or the base annual salary of the Superintendent, shall be made only by written addendum signed by both parties.
- 25. 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.




 John D. Ogletree, President
 Board of Trustees
 Cypress-Fairbanks ISD


Date: 6-13-11



 John Mark Henry, Superintendent
 of Schools
 Cypress-Fairbanks ISD

Date: 6-13-11

 Superintendent's Initials

 Board President's Initials

ATTEST:



Lida C. Woodul, 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 to Contract of Employment ("Addendum") is made and entered into by and between the Board of Trustees ("Board") of the Cypress-Fairbanks Independent School District ("District") and John Mark Henry ("Superintendent"). This Addendum supplements the Contract of Employment made and entered into between the parties on an even date herewith, and expires by its own terms six (6) months from the date of execution.

1. Moving Expenses. Actual and reasonable expenses incurred by the Superintendent in the relocation of his immediate family to the District shall be reimbursed by the Board.



 John R. Ogletree, President
 Board of Trustees
 Cypress-Fairbanks ISD


Date: 6-13-11




 John Mark Henry, Superintendent
 of Schools
 Cypress-Fairbanks ISD


Date: 6-13-11

ATTEST:



 Lida C. Woodul, Secretary
 Board of Trustees
 Cypress-Fairbanks ISD

 Superintendent's Initials

 Board President's Initials

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT
REIMBURSEMENTS RECEIVED BY THE
SUPERINTENDENT AND BOARD MEMBERS FOR
FISCAL YEAR 2010**

For the Twelve-Month Period Ended June 30, 2010									
Description of Reimbursements	Dr. David Anthony Superintendent	Larry Youngblood Position #1	Ethel Wolfe Position #2	Lou Bertoli Position #3 *	Bill Morris Position #3 **	Lida Woodul Position #4	Dr. John D. Ogletree Position #5	Don Ryan Position #6	Bob R. Covey Position #7
Meals	\$642.64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Lodging	2,081.01	0.00	0.00	0.00	129.58	305.13	1,079.30	0.00	0.00
Transportation	5,189.52	0.00	0.00	437.20	189.00	315.00	426.06	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	2,461.69	532.50	337.50	299.45	258.03	98.20	387.50	337.50	346.45
Total	\$10,374.86	\$532.50	\$337.50	\$736.65	\$576.61	\$718.33	\$1,892.86	\$337.50	\$346.45

*Position # 3 was held by Lou Bertoli from July 1, 2009 through November 3, 2009.

**Position # 3 was held by Bill Morris from November 3, 2009 through June 30, 2010.

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 2010**

For the Twelve-Month Period Ended June 30, 2010	
Name(s) of Entity(ies)	\$
Total	\$

There was no outside compensation and/or fees received in the fiscal year ended June 30, 2010.

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT
GIFTS RECEIVED BY THE EXECUTIVE OFFICER(S) AND
BOARD MEMBERS (AND FIRST DEGREE RELATIVES, IF ANY) IN
FISCAL YEAR 2010**

For the Twelve-Month Period Ended June 30, 2010									
	Dr. David Anthony Superintendent	Larry Youngblood Position #1	Ethel Wolfe Position #2	Lou Bertoli Position #3 *	Bill Morris Position #3 **	Lida Woodul Position #4	Dr. John D. Ogletree Position #5	Don Ryan Position #6	Bob R. Covey Position #7
Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

*Position # 3 was held by Lou Bertoli from July 1, 2009 through November 3, 2009.

**Position # 3 was held by Bill Morris from November 3, 2009 through June 30, 2010.

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 MEMBER FOR
FISCAL YEAR 2010**

For the Twelve-Month Period Ended June 30, 2010									
	Dr. David Anthony Superintendent	Larry Youngblood Position #1	Ethel Wolfe Position #2	Lou Bertoli Position #3 *	Bill Morris Position #3 **	Lida Woodul Position #4	Dr. John D. Ogletree Position #5	Don Ryan Position #6	Bob R. Covey Position #7
Amounts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

*Position # 3 was held by Lou Bertoli from July 1, 2009 through November 3, 2009.

**Position # 3 was held by Bill Morris from November 3, 2009 through June 30, 2010.

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

**CYPRESS-FAIRBANKS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF DATA SUBMITTED UNDER THE
FINANCIAL SOLVENCY PROVISIONS OF TEC §39.0822**

General Fund – First Quarter Expenditures by Object Code

Report 2010-2011 first-quarter GENERAL FUND expenditures by object code using whole numbers.

Payroll -	Expenditures for payroll costs	Object codes 6110-6149	\$ 86,875,501
Contract Costs -	Expenditures for services rendered by firms, individuals, and other organizations	Object code series 6200	\$ 5,981,639
Supplies and Materials -	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	Object code series 6300	\$ 3,373,882
Other Operating -	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	Object code series 6400	\$ 1,693,990
Debt Service -	Expenditures for debt service	Object code series 6500	\$ 0
Capital Outlay -	Expenditures for land, buildings, and equipment	Object code series 6600	\$ 1,673,713

Additional Financial Solvency Questions

1) Districts with a July 1 – June 30 fiscal year:

Within the last two years, did the school district:	Yes	No
1) draw funds from a short-term financing note (term less than 12 months) between the months of July and October, inclusive, and	_____	X _____
2) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11 – 61?	_____	X _____

2) Has the school district declared financial exigency within the past two years? _____ X

3) Provide comments or explanations for student-to-staff ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.

<u>Mean Enroll-to-Teacher Ratio</u>	<u>85% of Mean Enroll-to-Teacher Ratio</u>	<u>School District Size</u>
8.39	7.13	Under 100
9.48	8.06	100 to 249
10.73	9.12	250 to 499
11.48	9.76	500 to 999
12.45	10.58	1,000 to 1,599
13.52	11.50	1,600 to 2,999
14.29	12.15	3,000 to 4,999
14.80	12.58	5,000 to 9,999
14.88	12.65	10,000 to 24,999
15.01	12.76	25,000 to 49,999
15.06	12.80	50,000 and over

No response needed.

- 4) How many superintendents has your school district had in the last five years? 1
- 5) How many business managers has your school district had in the last five years? 2

GLOSSARY

Academic Excellence Indicator System (AEIS): The Texas Education Agency (TEA) pulls together a wide range of information on the performance of students in each school and district in Texas every year. This information is put into the annual AEIS reports, which are available each year in November. The performance indicators include:

- TAKS passing rate by grade, by subject, and by all grades tested;
- End-of-Course examination — participation and results;
- SDAA performance
- Attendance rate for the full year;
- Dropout rate (by year);
- Completion and dropout rates (4-year longitudinal);
- Percent of high school students completing an advanced course;
- Percent of graduates completing the Recommended High School Program;
- AP and IB examination results;
- TAKS / TASP equivalency rate; and
- SAT and ACT examination — participation and results.

Accountability Rating: The rating assigned by the AEIS to a school district or campus. The three indicators used to determine the accountability rating for a campus or district are their (1) performance on the TAKS reading, mathematics, and writing exams; (2) Dropout Rate; and (3) Attendance Rate. Based on these indicators every campus and district is assigned one of the following: **District Ratings:** Exemplary, Recognized, Academically Acceptable, Academically Unacceptable, Unacceptable (Special Accreditation Investigation) or Charter. **Campus Ratings:** Exemplary, Recognized, Acceptable, Low Performing, or Not Rated. Alternative Schools are rated differently.

Accounting: A standard school fiscal accounting system must be adopted and installed by the board of trustees of each school district. The accounting system must conform to generally accepted accounting principles. This accounting system must also meet at least the minimum requirements prescribed by the state board of education, subject to review and comment by the state auditor.

Ad Valorem Property Tax: Literally, the term means “according to value.” Ad valorem taxes are based on a fixed proportion of the value of the property with respect to which the tax is assessed. General property taxes are almost invariably of this type. Ad valorem property taxes are based on ownership of the property, and are payable regardless of whether the property is used or not and whether it generates income for the owner (although these factors may affect the assessed value).

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

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

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

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

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 19 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 PEIMS as of the date prescribed by TEA.

Capital Outlay: This term is used as both a Function and an Object. Expenditures for land, buildings, and equipment are covered under the object, Capital Outlay. The amount spent on acquisitions, construction, or major renovation of school district facilities are reported under the function, Capital Outlay.

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

Cash: The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Chapter 41: Resources are recovered for the purpose of sharing them with low-wealth districts.

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

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

Debt Service Fund: Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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

Designated Fund Balance: The designated fund balance represents tentative plans for the future use of financial resources.

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

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

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

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

Federal Revenues: Revenues paid either directly to the District or indirectly through a local or state government entity for federally-subsidized programs including the School Breakfast Program, National School Lunch Program, and School Health and Related Services Program.

Fiscal Year: A period of 12 consecutive months legislatively selected as a basis for annual financial reporting, planning, and budgeting. The fiscal year may run September 1 through August 31 or July 1 through June 30.

Foundation School Program (FSP) Status: Is the shared financial arrangement between the state and the school district, where property taxes are blended with revenues from the state to cover the cost of basic and mandated programs. The nature of this arrangement falls in one of the following status categories: Regular, Special Statutory, State Administered, Education Service Center, or Open Enrollment Charter School District.

FTE: Full-Time Equivalent measures the extent to which one individual or student occupies a fulltime position or provides instruction, e.g., a person who works four hours a day or a student that attends a half of a day represents a .5 FTE.

Function: Function codes identify the expenditures of an operational area or a group of related activities. For example, in order to provide the appropriate atmosphere for learning, school districts transport students to school, teach students, feed students and provide health services. Each of these activities is a function. The major functional areas are:

- Instruction and Instructional-Related Services
- Instructional and School Leadership
- Support Services - Student
- Administrative Support Services
- Support Services - Non-Student Based
- Ancillary Services
- Debt Service
- Capital Outlay
- Intergovernmental Charges

Fund Balance: The difference between assets and liabilities reported in a governmental fund.

General Administration: The amount spent on managing or governing the school district as an overall entity.

General Fund: This fund finances the fundamental operations of the District in partnership with the community. All revenues and expenditures not accounted for by other funds are included. This is a budgeted fund and any fund balances are considered resources available for current operations.

I&S Tax Rate: The tax rate calculated to provide the revenues needed to cover Interest and Sinking (I&S) (also referred to as Debt Service). I&S includes the interest and principal on bonds and other debt secured by property tax revenues.

Incremental Costs: The amount spent by a school district with excess wealth per Weighted Average Daily Attendance (WADA) on the purchase of attendance credits either from the state or from other school district(s).

Instruction: The amount spent on direct classroom instruction and other activities that deliver, enhance or direct the delivery of learning situations to students regardless of location or medium.

Instructional Facilities Allotment (IFA): State Aid provides assistance to school districts in making debt service payments on qualifying bonds and lease-purchase agreements. Proceeds must be used for the construction or renovation of an instructional facility.

Intergovernmental Charges: "Intergovernmental" is a classification used when one governmental unit transfers resources to another. In particular, when a Revenue Sharing District purchases WADA or where one school district pays another school district to educate transfer students.

Investments in Capital Assets, Net of Related Debt: One of three components of net assets that must be reported in both government-wide and proprietary fund financial statements. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of capital assets of the government.

Local & Intermediate Revenues: All revenues from local taxes and other local and intermediate revenues. For specifics, see the definitions for Local Tax and Other Local & Intermediate Revenues.

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

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

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

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

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

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

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

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

- Revenues Realized as a Result of Services Rendered to Other School Districts
- Tuition and Fees
- Rental payments, interest, investment income
- Sale of food and revenues from athletic and extra/co-curricular activities
- Revenues from counties, municipalities, utility districts, etc.

Other Operating Costs: Expenditures necessary for the operation of the school district that are NOT covered by Payroll Costs, Professional and Contracted Services, Supplies and Materials, Debt Services, and Capital Outlay fall into this category and include travel, insurance and bonding costs, election costs, and depreciation.

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

Payments for Shared Services Arrangements: Payments made either from a member district to a fiscal agent or payments from a fiscal agent to a member district as part of a Shared Services Arrangement (SSA). The most common types of SSAs relate to special education services, adult education services, and activities funded by the Elementary and Secondary Education Act (ESEA).

Payroll: Payroll costs include the gross salaries or wages and benefit costs for services or tasks performed by employees at the general direction of the school district. *(NOTE: Payroll amounts do not include salaries for contract workers employed by outsource companies, e.g., for child nutrition and maintenance. Therefore, this figure will vary significantly between districts and campuses that use contract workers and those that do not.)*

PEIMS: Public Education Information Management System, a state-wide data management system for public education information in the State of Texas. One of the basic goals of PEIMS, as adopted by the State Board of Education in 1986, is to improve education practices of local school districts. PEIMS is a major improvement over previous information sources gathered from aggregated data available on paper reports. School districts submit their data via standardized computer files. These are defined in a yearly publication, the *PEIMS Data Standards*.

Plant Maintenance & Operations: The amount spent on the maintenance and operation of the physical plant and grounds and for warehousing.

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

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

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

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

Reserved Fund Balance: This is that portion of fund equity which is not available for appropriation or has been legally restricted for a specific purpose.

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

Robin Hood Funds: See Wealth Equalization Transfer.

Rollback Tax Rate: Provides the District with approximately the same amount of tax revenue it received the previous year for day-to-day operations plus a cushion, and sufficient funds to pay its debts in the coming year. For school districts, the cushion is six cents per \$100 of property value. The rollback rate is that rate which is necessary to generate the same amount of state and local funds per WADA as was available to the District in the preceding school year, using estimated WADA for the upcoming year, plus six cents, plus the current year's debt rate. If the District adopts a tax rate in excess of the calculated rollback rate, it results in an automatic election.

School Year: The twelve months beginning July 1 of one year and ending June 30 of the following year or beginning September 1 and ending August 31. Districts now have two options.

Special Revenue Fund: A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

State Revenues: Revenues realized from the TEA, other state agencies, shared services arrangements, or allocated on the basis of state laws relating to the Foundation School Program Act.

Undesignated Fund Balance: This is that portion of fund equity that is currently available to finance expenditures not already approved by the Board of Trustees.

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

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

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

WADA: Weighted Average Daily Attendance (WADA) is used to measure the extent students are participating in special programs. The concept of WADA in effect converts all of a school district's students with their different weights to a calculated number of regular students required to raise the same amount of revenue. The greater the number of students eligible for special entitlements, the greater a school district's WADA will be.

Wealth Equalization Transfer: The amount budgeted by districts for the cost of reducing their property wealth to the required equalized wealth level (sometimes referred to as Robin Hood Funds).