



CEDAR HILL INDEPENDENT SCHOOL DISTRICT



2023-2024 Schools FIRST Annual Financial Management Report

For the Twelve Months Ended June 30, 2023

**Dr. Gerald B. Hudson, Superintendent of Schools
Amy Drozd, Interim Chief Financial Officer
Paula McBride, Executive Director of Finance**

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
SCHOOLS FIRST REPORT FOR 2022-2023 FISCAL YEAR**

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Introduction

Passed during the 77th regular session of the Texas Legislature (2001), Senate Bill 218 requires each Texas school district to prepare an annual financial accountability report on the District's Schools FIRST (Financial Accountability Rating System of Texas) rating. Many business-related issues are covered in this report and the District must hold a public meeting to discuss the report.

Since its inception, the FIRST rating has been modified several times to reflect changes in legislation and serve as a better measurement of a district's financial position. The rating system has been reduced from an original 22 indicators to currently 16 indicators. Measurements based on student performance have been removed to focus strictly on financial matters. In addition, six disclosures are now required along with the report; 1) the Superintendent's employment contract, 2) reimbursements received by the Superintendent and Board members, 3) outside compensation and/or fees received by the Superintendent for professional consulting and/or other personal services, 4) gifts received by the executive officer(s) and Board members (and first degree relatives, if any), 5) business transactions between the school district and Board members, and finally 6) a summary schedule of the data submitted under the Financial Solvency Provisions of TEC Section 39.0822.

The District's Schools FIRST rating is based upon budgetary and actual financial data along with an analysis of staff and student data reported for the 2022-2023 fiscal year. This information is submitted through the District's annual PEIMS (Public Education Information Management System) submissions. TEA issued the preliminary financial accountability ratings for the 2022-2023 fiscal year in August 2024. The District's rating of "**Passed**" with an "**A = Superior Achievement**" is included in this report.

The financial accountability rating of the District is based on its overall performance on certain financial measurements, ratios, and other indicators established by the Commissioner of Education with the financial accountability rating worksheet. This worksheet was developed by representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC), the Comptroller's office and the Texas Association of School Business Officials (TASBO). The worksheet consists of 21 indicators, each weighted with numeric values with the exception of the Critical Indicators. A "No" response to one of the Critical Indicators 1-4 will automatically result in a rating of Substandard Achievement, giving these five indicators high importance.

Cedar Hill ISD continues its financial excellence with a rating of "Superior Achievement" for the 2022-2023 fiscal year, scoring positive responses on all 21 indicators and an overall score of 94 out of 100. Included in this report is the Rating Report received from TEA used in determining the District's score, an explanation of each of the Indicators, and the required disclosures.

Financial Accountability Ratings Worksheet

Financial Integrity Rating System of Texas (FIRST)

2023-2024 RATINGS BASED ON FISCAL YEAR 2022-2023 DATA

Name: CEDAR HILL ISD (057904)

Status: PASSED

Rating: A = Superior Achievement

| # | Indicator Description | Score |
|---|--|-------|
| 1 | Was the complete annual financial report (ACFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively? | Yes |
| 2 | Was there an unmodified opinion in the ACFR on the financial statements as a whole? The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion. | Yes |
| 3 | Was the school district in compliance with the payment terms of all debt agreements at fiscal yearend? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor(= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.) | Yes |
| 4 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments and will fail critical indicator 4. If the school district was issued a warrant hold, the maximum points and highest rating that the school district may receive is 95 points, A =Superior Achievement, even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days.) | Yes |
| | | |

| | | |
|----|---|----------------|
| 5 | Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero? (If it is not, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement, unless the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership. If the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.) | Ceiling Passed |
| 6 | Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures? (If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.) | Ceiling Passed |
| 7 | Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? | 10 |
| 8 | Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? | 6 |
| 9 | Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days? | 10 |
| 10 | This indicator was not evaluated. | 10 |
| 11 | Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? If the school district's increase of students in membership over 5 years was 7 percent or more, then the school district automatically passes this indicator. | 8 |
| 12 | Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? | 10 |
| 13 | Was the school district's administrative cost ratio equal to or less than the threshold ratio? | 10 |

| | | |
|----|--|-----------------|
| 14 | Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? | 10 |
| 15 | This indicator was not evaluated. | 5 |
| 16 | Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's ACFR result in a total variance of less than 3 percent of all expenditures by function? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.) | Ceiling Passed |
| 17 | Did the external independent auditor report that the ACFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.) | Ceiling Passed |
| 18 | Did the external independent auditor indicate the ACFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.) | 10 |
| 19 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end? | 5 |
| 20 | Did the school board members discuss the district's property values at a board meeting within 120days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.) | Ceiling Passed |
| 21 | Did the school district receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of a financial hardship? | Ceiling Passed |
| | | 94 Score |

DETERMINATION OF RATING

| | | |
|-----------|--|--------|
| A. | Did the district answer 'No' to Indicators 1, 2, 3, or 4? If so, the school district's rating is F for Substandard Achievement regardless of points earned. | |
| B. | Determine the rating by the applicable number of points. | |
| | A = Superior Achievement | 90-100 |
| | B = Above Standard Achievement | 80-89 |
| | C = Meets Standard Achievement | 70-79 |
| | F = Substandard Achievement | <70 |

Financial Accountability Ratings Worksheet

Financial Integrity Rating System of Texas (FIRST)

2022-2023 RATINGS BASED ON FISCAL YEAR 2021-2022 DATA

Name: CEDAR HILL ISD (057904)

Status: PASSED

Rating: A = Superior Achievement

| # | Indicator Description | Score |
|---|--|----------------|
| 1 | Was the complete annual financial report (ACFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively? | Yes |
| 2 | Was there an unmodified opinion in the ACFR on the financial statements as a whole? The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion. | Yes |
| 3 | Was the school district in compliance with the payment terms of all debt agreements at fiscal yearend? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor(= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.) | Yes |
| 4 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments and will fail critical indicator 4. If the school district was issued a warrant hold, the maximum points and highest rating that the school district may receive is 95 points, A =Superior Achievement, even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days.) | Yes |
| 5 | This indicator is not being evaluated. | Ceiling Passed |

| | | |
|----|---|----------------|
| 6 | Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures? (If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.) | Ceiling Passed |
| 7 | Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? | 10 |
| 8 | Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? | 6 |
| 9 | Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days? | 10 |
| 10 | This indicator is not being evaluated. | 10 |
| 11 | Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? If the school district's increase of students in membership over 5 years was 7 percent or more, then the school district automatically passes this indicator. | 8 |
| 12 | Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? | 10 |
| 13 | Was the school district's administrative cost ratio equal to or less than the threshold ratio? | 8 |
| 14 | This indicator is not being evaluated. | 10 |
| 15 | This indicator is not being evaluated. | 5 |
| 16 | Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's ACFR result in a total variance of less than 3 percent of all expenditures by function? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.) | Ceiling Passed |

| | | |
|----|--|-----------------|
| 17 | Did the external independent auditor report that the ACFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.) | Ceiling Passed |
| 18 | Did the external independent auditor indicate the ACFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.) | 10 |
| 19 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end? | 5 |
| 20 | Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget? (If the school district fails indicator 20 the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.) | Ceiling Passed |
| | | 92 Score |

DETERMINATION OF RATING

| | | |
|-----------|--|--------|
| A. | Did the district answer 'No' to Indicators 1, 2, 3, or 4? If so, the school district's rating is F for Substandard Achievement regardless of points earned. | |
| B. | Determine the rating by the applicable number of points. | |
| | A = Superior Achievement | 90-100 |
| | B = Above Standard Achievement | 80-89 |
| | C = Meets Standard Achievement | 70-79 |
| | F = Substandard Achievement | <70 |

Discussion of Base Indicators

1. **Was the complete annual comprehensive financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?**

This indicator seeks to make certain the CHISD has filed the Annual Comprehensive Financial Report by the required deadline. Cedar Hill ISD's Annual Financial report was received by TEA on November 20, 2023.

2. **Was there an unmodified opinion in the ACFR on the financial statements as a whole?**

A "modified" opinion on a financial report means that the district needs to correct some of the reporting or financial controls. A district's goal, therefore, is to receive an "unmodified opinion" on its ACFR. Cedar Hill ISD passed this indicator by receiving an unmodified opinion on our ACFR.

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

This indicator seeks to make certain that the Cedar Hill ISD has paid our bills/obligations on financing arrangements to pay for school construction, school buses, photocopiers, etc. Cedar Hill ISD annual report did not have any disclosures concerning default on bonded indebtedness obligations and were able to make all bond payments.

4. **Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?**

Cedar Hill ISD made timely payments on governmental agency requirements.

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

The sum of the total net position (-\$19,452,738), accretion of interest for capital appreciation bonds (\$1,201,286) net pension liability (\$20,961,502), and net other post-employment benefits (\$12,518,131) is \$15,228,181.

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? (See ranges below.)**

Cedar Hill ISD had an average change in fund balance over three years of 4.17% increase. The fund balance needed for 75 days of operational expenditures was \$13.6M which was well below the reported fund balance of \$20.8M.

DETERMINATION OF CEILING

| <i>2023 total fund balance (199)</i> | <i>2022 total fund balance (199)</i> | <i>2021 total fund balance (199)</i> | <i>2020 total fund balance (199)</i> |
|--|--|--|--|
| \$ 20,839,215 | \$ 21,791,490 | \$ 20,178,177 | \$ 18,530,497 |
| Total (199) general fund expenditures for FY 2023 | Total (199) capital outlay expenditures (function 81) | Average change in fund balance over 3 years | Fund Balance Needed for 75 Days of Expenses |
| \$ 66,218,655 | \$0 | 4.17% | \$13,606,573 |

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? (See ranges below.)**

In order to receive the maximum number of points (10) for this indicator, the district needs more than 90 days of operating expenditures on hand. Cedar Hill ISD had 174.0674 days on hand to receive the maximum points.

DETERMINATION OF POINTS

| 10 | 8 | 6 | 4 | 2 | 0 |
|-----------|---------------|---------------|---------------|---------------|-------|
| ≥ 90 | $<90 \geq 75$ | $<74 \geq 60$ | $<60 \geq 45$ | $<45 \geq 30$ | <30 |

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

Cedar Hill ISD's ratio of current assets \$53,242,646 to current liabilities \$22,262,478 was 2.3916 and did not exceed the 3.00 threshold to receive the maximum points of 10 for this indicator, but earned 6 points in this category.

DETERMINATION OF POINTS

| 10 | 8 | 6 | 4 | 2 | 0 |
|-------------|-------------------|-------------------|-------------------|-------------------|---------|
| ≥ 3.00 | $<3.00 \geq 2.50$ | $<2.50 \geq 2.00$ | $<2.00 \geq 1.50$ | $<1.50 \geq 1.00$ | <1.00 |

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?**

General fund revenues \$64,319,730 were lower than expenditures \$66,218,655, but the district met the indicator by having more than 60 days of cash on hand (174.0674 days). The District received the full 10 points for this indicator.

10. **This indicator was not evaluated.**

11. **Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.) (See ranges below.)**

The district's change in the student membership from 2019 to 2023 was -11.08%, the district received 8 points out of 10 for this indicator. The district's total long-term liabilities \$93,134,984 to total assets \$148,836,531 equals a ratio of .6258.

DETERMINATION OF POINTS

| 10 | 8 | 6 | 4 | 2 | 0 |
|-------------|-------------------|-------------------|-------------------|-------------------|---------|
| ≤ 0.60 | $>0.60 \leq 0.70$ | $>0.70 \leq 0.80$ | $>0.80 \leq 0.90$ | $>0.90 \leq 1.00$ | >1.00 |

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

This indicator calculation resulted in full credit. Breakdown is listed below:

| | |
|---|-------------------|
| Enter the district's total local and intermediate Debt Service Fund revenue | (\$17,770,152 |
| Enter the district's total Debt Service Fund revenues | / \$18,652,562) |
| | .95269 |
| Enter the district's long term liabilities in the annual audit report | x \$93,134,984 |
| | 88,728,767.90 |
| | x 100 |
| | 8,872,876,790 |
| Enter the district's current year assessed property value for debt service | / \$5,171,819,459 |
| Debt per \$100 of assessed value | 1.7156 |

DETERMINATION OF POINTS

| 10 | 8 | 6 | 4 | 2 | 0 |
|-----|--------|---------|------------|--------------|-------|
| <=4 | >4 <=7 | >7 <=10 | >10 <=11.5 | >11.5 <=13.5 | >13.5 |

13. Was the district's administrative cost ratio equal to or less than the threshold ratio?

TEA sets a cap on the percentage of their budget that Texas school districts can spend on administration. Did the district exceed the cap for districts our size?

Cedar Hill ISD's administrative cost ratio was 9.71%. The threshold ratio to receive 10 full points for this indicator had to be less than or equal to 10%. Cedar Hill ISD received 10 points for this indicator, up 2 points from last year.

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

The decline in the students to staff ratio over three years from 2020-2021 to 2022-2023 is less than one percent. (2022-2023 enrollment = 6,920 with staff of 839.457) and (2020-2021 enrollment = 7,253 with staff of 879.8207)

15. This indicator was not evaluated.

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

This indicator measures the quality of data reported to PEIMS and in our ACFR to make certain that the data reported in each case "matches." If the difference in data reported in any fund type is 3 percent or more, our district "fails" this indicator.

The variance of the ACFR data to the PEIMS data submitted was 0.000001%. Cedar Hill ISD passed this indicator.

17. Did the external independent auditor report that the ACFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)

Cedar Hill ISD did not have any report by the external independent auditor of material weaknesses in our internal controls. We received the highest points possible for this indicator.

- 18. Did the external independent auditor indicate the ACFR 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.)**

A clean audit of your ACFR would state that your district has no material weaknesses in internal controls. Any internal weaknesses create a risk of your District not being able to properly account for its use of public funds, and should be immediately addressed. We received 10 points for this indicator.

- 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?**

Cedar Hill ISD posted all required financial information and received the max of 5 points for this indicator.

- 20. Did the school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?**

Cedar Hill ISD passed this indicator as we discuss impacts in the spring each year in advance of the adoption of the budget.

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

Cedar Hill ISD did not receive an adjusted repayment schedule.

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 Cedar Hill ISD, the District has weathered the public school finance crisis better than many other districts because of its history of exercising strategic financial planning 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> |
|-------------|------------------|------------------------|
| 2008-09 | 12.5% | 7.27% |
| 2009-10 | 12.5% | 7.53% |
| 2010-11 | 12.5% | 7.67% |
| 2011-12 | 12.5% | 7.65% |
| 2012-13 | 10.0% | 7.99% |
| 2013-14 | 10.0% | 8.00% |
| 2014-15 | 10.0% | 8.14% |
| 2015-16 | 10.0% | 7.63% |
| 2016-17 | 10.0% | 7.66% |
| 2017-18 | 10.0% | 7.57% |
| 2018-19 | 10.0% | 9.73% |
| 2019-20 | 10.0% | 10.60% |
| 2020-21 | 10.0% | 10.06% |
| 2021-22 | 10.0% | 10.78% |
| 2022-23 | 10.0% | 9.71% |

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. Attracting and retaining a quality teaching staff is always a priority with Cedar Hill ISD.

DEBT MANAGEMENT

At June 30, 2023, the total outstanding general obligation and refunding bonds was \$95,604,767 with interest rates ranging from 3.00% - 6% and maturities until 2043. 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. Bond refunding has been utilized when available to reduce the interest on outstanding bonds.

FACILITIES ACQUISITION AND CONSTRUCTION MANAGEMENT

With proceeds of the above-mentioned bonds, as of June 30, 2023, the District has constructed projects for several major renovation and additions scheduled for various campuses.

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> |
|-------------|------------------------|
| 2009-10 | 99.0% |
| 2010-11 | 99.6% |
| 2011-12 | 99.6% |
| 2012-13 | 100.0% |
| 2013-14 | 98.9% |
| 2014-15 | 99.2% |
| 2015-16 | 98.8% |
| 2016-17 | 98.9% |
| 2017-18 | 98.9% |
| 2018-19 | 99.0% |
| 2019-20 | 98.4% |
| 2020-21 | 98.8% |
| 2021-22 | 98.2% |
| 2022-23 | 97.1% |

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. 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 portfolio consisting of primarily investment pools.

BUDGETARY PLANNING & FINANCIAL ALLOCATIONS

The District's budget process usually begins in February 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. Preliminary budget input is scheduled for late March. In late April, calculations of state and local tax revenues are completed and the budget starts to take on some form. Early May is the timeframe 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, Whitley Penn, LLP. The auditors' responsibility is to report on the District's financial status and to ensure that the District is accurately handling the financial records within required standards. This report is a critical element of the accountability ratings worksheet, covering five criteria.

For the twelve months ended June 30, 2023, the District received an "unmodified" opinion with no reportable conditions or material weaknesses.

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).

Appendix A: Required Disclosures

The District's annual financial management report must include specific disclosures regarding the superintendent's contract, reimbursements received by the superintendent and board members and other compensation and gifts received. This information is presented below to comply with the requirements.

Fig A-1: Superintendent's Contract

The superintendent's contract is published on the District's website: www.chisd.net/our-district-story/superintendent/superintendents-contract

Fig A-2: Reimbursements Received by the Superintendent and Board Members

A summary schedule for the twelve-month period of total reimbursements received by the superintendent and each board member is to be included in the annual financial management report. All reimbursement expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. The summary schedule is to report separately items per category including:

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

REIMBURSEMENTS RECEIVED BY THE SUPERINTENDENT AND BOARD MEMBERS

For the Twelve-Month Period Ended June 30, 2023

| Description of Reimbursements | Superintendent Dr. Gerald B. Hudson | Board Member Carma Morgan | Board Member Robert Riggs | Board Member Ramona Ross-Bacon | Board Member Dr. Denise Roache-Davis |
|-------------------------------|-------------------------------------|---------------------------|---------------------------|--------------------------------|--------------------------------------|
| Meals | \$ 1,578.50 | \$ 310.00 | \$ 74.50 | \$ 591.50 | \$ 178.50 |
| Lodging | 1,929.11 | 0.00 | 801.42 | 0.00 | 608.22 |
| Transportation | 3,197.01 | 804.99 | 506.82 | 940.33 | 121.79 |
| Fuel | 40.60 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | \$ 6,745.23 | \$ 1,114.99 | \$ 1,382.74 | \$ 1,531.83 | \$ 908.51 |

| Description of Reimbursements | Board Member Gayle Sims | Board Member Denisha Williams | Board Member Cheryl Wesley |
|-------------------------------|-------------------------|-------------------------------|----------------------------|
| Meals | \$ 0.00 | \$ 74.50 | \$ 192.00 |
| Lodging | 0.00 | 801.42 | 0.00 |
| Transportation | 0.00 | 360.25 | 690.25 |
| Fuel | 0.00 | 0.00 | 0.00 |
| Other | 0.00 | 0.00 | 0.00 |
| Total | \$ 0.00 | \$ 1,236.17 | \$ 882.25 |

Fig A-3: Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services

A summary schedule for the fiscal year of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services is to be reported. The Superintendent did not receive any such compensation during the 2022-2023 school year.

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, 2023

| Name(s) of Entity(ies) | Amount Received \$ |
|-------------------------------|-----------------------------------|
| Total | \$0.00 |

Fig A-4: Gifts Received by Executive Officers and Board Members

A summary schedule for the fiscal year of the total dollar amount of gifts that had an economic value of \$250 or more in the aggregate is to be reported for the executive officers and board members (or first degree relatives) of the district. 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. This reporting requirement only applies to gifts received by the school district's executive officers and board members from an outside entity that received payments from the school district in the prior fiscal year and gifts from competing vendors that were not awarded contracts in the prior fiscal year.

GIFTS RECEIVED BY EXECUTIVE OFFICERS AND BOARD MEMBERS(AND FIRST DEGREE RELATIVES, IF ANY)

For the Twelve-Month Period Ended June 30, 2023

| Superintendent Dr. Gerald B. Hudson | Board Member Carma Morgan | Board Member Robert Riggs | Board Member Ramona Ross- Bacon | Board Member Dr. Denise Roache -Davis |
|--|--------------------------------------|--|--|--|
| \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| | Board Member Gayle Sims | Board Member Denisha Williams | Board Member Cheryl Wesley | |
| | \$0.00 | \$0.00 | \$0.00 | |

Fig A-5: Business Transactions Between School District and Board Members

Finally, a summary schedule for the fiscal year of the dollar amount by board member for the aggregate amount of business transactions with the school district is to be included. This reporting requirement is not to duplicate the items disclosed in the schedule of reimbursements.

Disclosures of gifts received by Board Members and business transactions with the District are included within this report.

BUSINESS TRANSACTIONS BETWEEN SCHOOL DISTRICT AND BOARD MEMBERS

For the Twelve-Month Period Ended June 30, 2023

| Superintendent Dr. Gerald B. Hudson | Board Member Carma Morgan | Board Member Robert Riggs | Board Member Ramona Ross- Bacon | Board Member Dr. Denise Roache -Davis |
|--|--------------------------------------|--|--|--|
| \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| | Board Member Gayle Sims | Board Member Denisha Williams | Board Member Cheryl Wesley | |
| | \$0.00 | \$0.00 | \$0.00 | |