

Friendswood Independent School District

2019 Annual Financial Management Report School Financial Integrity Rating System of Texas “FIRST”

For the Year Ending August 31, 2018



Thad Roher, Superintendent

Amber Petree, Chief Financial Officer

**Friendswood Independent School District
2019 Annual Financial Management Report
School FIRST
For the Year Ending August 31, 2018**

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2019 Annual Financial Management
Report – School FIRST**

Introduction

During the 77th regular session of the Texas legislature (2001), Senate Bill 218 was passed and Governor Perry signed it into law shortly thereafter. This law requires each school district to prepare an annual financial management report within two months of the date of issuance of the final School FIRST ratings. The District received official notification of the 2018-2019 Final School FIRST rating on August 8, 2019. This rating is based upon analysis of school year data for the fiscal year ending August 31, 2018.

The purpose of the financial accountability rating system is to ensure that school districts will be held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes. The system also discloses the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools. An evaluation of the long-term effectiveness of the system should disclose a measurable improvement in the quality of Texas public schools' decision-making processes.

The primary reporting tool is the Financial Accountability Ratings Worksheet. This worksheet was originally developed by representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO). It is administered by the TEA and calculated on information submitted to the Agency via our PEIMS submission each year.

This year's report includes changes made by the Commissioner's Rule that were finalized in August 2018. The most substantive changes will be implemented by the Texas Education Agency beginning with ratings year 2020-2021 based primarily on data from fiscal year 2020. During the phase-in period, the new School FIRST system has separate worksheets for rating years 2017-2018, 2018-2019, and 2019-2020 as compared to subsequent years.

Under School FIRST, every school district in Texas is required to prepare an annual financial management report that includes the following:

- The district's financial management performance rating provided by the Texas Education Agency (TEA) based on its comparison with indicators established by the Commissioner of Education for the state's new Financial Accountability System;
- The district's financial management performance under each indicator for the current and previous years' financial accountability ratings;
- Additional information required by the Commissioner of Education (disclosures)

Starting with the 2007 calendar year, the financial management report must contain certain required disclosures, in accordance with Title 19 of the Texas Administrative Code, Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules Concerning the Financial Accountability Rating System. These disclosures are as follows:

1. A copy of the Superintendent's current employment contract (this can be satisfied by placing the contract on the district website);
2. A summary schedule for the fiscal year of total reimbursements received by the superintendent and each board member;
3. A summary schedule for the fiscal year of the dollar amount compensation and/or fees received by the Superintendent from another school district or any outside entity in exchange for professional consulting and/or other personal services;
4. A summary schedule for the fiscal year of the total dollar amount by the executive officers and board members of gifts that had an economic value of \$250 or more;
5. 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.

Currently, the worksheet consists of 15 Indicators, each weighted equally with the exception of the Critical Indicators. A "No" response in Indicators #1, #2.A, #3, #4, or #5 will automatically result in a rating of Substandard Achievement, so these first four Indicators are of utmost importance.

In summary, Friendswood ISD received the rating of "A = Superior", scoring a 90 out of a possible 100 on the financial accountability worksheet. Indicator #8 increased by 2 points when compared to the previous year. The District's buildings are depreciating faster than the payoff of outstanding debt. The worksheet itself follows, along with an explanation of each indicator, the indicator goal, and FISD's performance this year as compared to last year. Finally, as in accordance with Title 19, the required disclosures are included at the back of the report.

2018-2019 RATINGS BASED ON SCHOOL YEAR 2017-2018 DATA - DISTRICT STATUS DETAIL

Name: FRIENDSWOOD ISD(084911)	Publication Level 1: 8/7/2019 3: 33:27 PM
Status: Passed	Publication Level 2: 8/8/2019 2:06:12 PM
Rating: A = Superior	Last Updated: 8/8/2019 2:06:12 PM
District Score: 90	Passing Score: 60

#	Indicator Description	Updated	Score
1	<u>Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?</u>	8/5/2019 11:20:46 PM	Yes
2	Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.		
2.A	<u>Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)</u>	8/5/2019 11:20:46 PM	Yes
2.B	<u>Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)</u>	8/5/2019 11:20:47 PM	Yes
3	<u>Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement</u>	8/5/2019 11:20:47 PM	Yes

	<u>between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u>		
4	<u>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?</u>	8/5/2019 11:20:47 PM	Yes
5	This indicator is not being scored.		
			1 Multiplier Sum
6	<u>Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? (See ranges below.)</u>	8/5/2019 11:20:48 PM	10
7	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u>	8/5/2019 11:20:48 PM	8
8	<u>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.)</u>	8/5/2019 11:20:48 PM	2
9	<u>Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?</u>	8/5/2019 11:20:49 PM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	8/5/2019 11:20:50 PM	10
11	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	8/5/2019 11:20:50 PM	10
12	<u>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.)</u>	8/5/2019 11:20:51 PM	10

13	<u>Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?</u>	8/5/2019 11:20:52 PM	10
14	<u>Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)</u>	8/5/2019 11:20:52 PM	10
15	<u>Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?</u>	8/5/2019 11:20:52 PM	10
			90 Weighted Sum
			1 Multiplier Sum
			90 Score

DETERMINATION OF RATING

A.	Did the district answer 'No' to Indicators 1, 3, 4, or 2.A? 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. (Indicators 6-15)
	A = Superior 90-100
	B = Above Standard 80-89
	C = Meets Standard 60-79
	F = Substandard Achievement <60

No Rating = A school district receiving territory that annexes with a school district ordered by the commissioner under TEC 13.054, or consolidation under Subchapter H, Chapter 41. No rating will be issued for the school district receiving territory until the third year after the annexation/consolidation.

Overview of the Worksheet

Critical Indicators

Indicators 1 through 5 are considered critical indicators. Any “No” response in one of these categories is a signal indicator of fiscal distress. These five indicators revolve around the audit report, timely debt and payroll-related payments and the auditor’s findings.

Indicator #1

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

Indicator Goal: To ensure the district’s financial report is filed by the deadline.

FISD Answer: Yes. Like last year, the District met this requirement. The annual financial report was received by the Texas Education Agency before the required deadline of January 28, 2019.

Indicator #2 (consists of 2.A. and 2.B.)

Indicator #2. A.: Was there an unmodified opinion in the AFR on the financial statements as a whole? The school district must pass 2.A. to pass indicator number 2. The district fails indicator number 2 if it responds “No” to indicator 2.A. or to both indicators 2.A. and 2.B.

Indicator Goal: To determine whether the annual financial report is free from material misstatement.

FISD Answer: Yes. Like last year, the District received an unqualified opinion in its annual financial report.

Indicator #2. B.: Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?

Indicator Goal: To determine whether the district has established and maintains effective internal control over its financial reporting.

FISD Answer: Yes. Like last year, the annual financial report did not disclose any instances of material weaknesses in internal controls.

Indicator #3

Indicator: Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

Indicator Goal: To determine if the district made its outstanding bond payments on time and to ensure it is not in default.

FISD Answer: Yes. Like last year, FISD made all required bond payments on time.

Indicator #4

Indicator: 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?

Indicator Goal: To determine if the district fulfilled its payroll-related payment obligations to these organizations.

FISD Answer: Yes. Like last year, FISD made all payroll-related payment obligations on time.

Indicator #5

Indicator: Was the total unrestricted net position balance (net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Positions greater than zero?

Indicator Goal: This indicator is not being scored per TEA.

All Other Indicators

Indicator #6

Indicator: 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)?

Indicator Goal: This indicator measures how long in days after the end of the fiscal the school district could have disbursed funds for its operating expenditures without receiving any new revenues. Districts must have more than 90 days to receive all 10 points, and points decrease by 2 as the number of days' decreases.

FISD Answer: Yes. Like last year, FISD earned all 10 points on this indicator. 93.18 days this year and 109.65 days last year.

Indicator #7

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

Indicator Goal: This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. To earn the maximum of 10 points, current assets must be more than 3 times current liabilities, and points decrease by 2 as the ratio decreases.

FISD Answer: 2.5553; therefore, FISD earned 8 points on this indicator. Current Assets 22,159,945 / Current Liabilities 8,672,305 = 2.5553. Last year, Current Assets 22,490,879 / Current Liabilities 7,503,353 = 2.9974. FISD earned 8 points on this indicator last year.

Indicator #8

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

Indicator Goal: This question seeks to determine the amount of long-term debt relative to total assets. Fast growth districts pass this indicator if their enrollment has increased more than 10% in 5 years. To receive all 10 points, the long-term debt (net of pension liability) cannot be >60% of total assets, and points decrease as the percentage increases.

FISD Answer: 92.95% therefore, the District received 2 points on this indicator. (LT Liabilities 110,134,414 – Net Pension 9,303,323) / Total Assets 108,473,994 = .9295. FISD received 2 points with 94.31% on this indicator last year.

Indicator #9

Indicator: 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?

Indicator Goal: To determine if the District spent more than it earned. The school district will automatically pass this indicator if it had at least 60 days' cash on hand.

FISD Answer: 10 of 10 points. FISD passed both parts of this indicator both this year and last; revenues exceeded expenditures, and the District had 93.18 days' cash on hand this year and 109.65 days' cash on hand last year.

Indicator #10

Indicator: Was the debt service coverage ratio sufficient to meet the required debt service?

Indicator Goal: To determine the District's ability to make its debt principal and interest payments due during the year. A ratio of >1.20 earns all 10 points, and the points decrease by 2 as the ratio declines.

Answer: Like last year, FISD received all 10 points. FISD's debt service coverage ratio was 1.612 this year and 1.602 last year.

Indicator #11

Indicator: Was the school district's administrative cost ratio equal to or less than the threshold ratio?

Indicator Goal: To determine whether the district's administrative costs are in an acceptable range for its size. For FISD, a ratio of $<10\%$ earns all 10 points, and the points decrease by 2 as the percentage increases.

FISD Answer: 10 of 10 points. FISD's administrative cost ratio is 9.83% which is less than 10%. Last year, our ratio was 10.36% and we earned 8 points.

Indicator #12

Indicator: 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 yes or no this indicator.)

Indicator Goal: To determine that if student enrollment is declining by more than 15%, staff are also decreasing proportionately, over a 3-year period.

FISD Answer: Like last year, FISD received all 10 points on this indicator.

Indicator #13

Indicator: Did the comparison of PEIMS data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?

Indicator Goal: To determine whether the quality of data reported to TEA through PEIMS and in the annual financial report submission are consistent. If the variance is greater than 3%, districts fail this indicator.

FISD Answer: Like last year, FISD received all 10 points on this indicator. Our variance was near zero percent for both years.

Indicator #14

Indicator: Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?

Indicator Goal: An audit finding of material non-compliance could indicate a risk of internal weaknesses and signal that public funds are not being properly handled.

FISD Answer: Like last year, FISD did not have any audit findings of material non-compliance and received all 10 points on this Yes or No indicator.

Indicator #15

Indicator: Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?

Indicator Goal: To determine if the district had to ask for an easy payment plan to return monies to TEA after spending the overpayment in state aid from the Foundation School Program.

FISD Answer: Like last year, FISD did not receive an adjusted repayment schedule for overpayments from TEA and received all 10 points on this Yes or No indicator.

REQUIRED DISCLOSURES

Summary Schedule of Reimbursements as of August 31, 2018

Name	Meals	Lodging	Transportation	Fuel	Other	Total
Thad Roher	\$234.00	\$2,557.11	\$900.76		\$1,807.00	\$5,498.87
Rebecca Hillenburg		\$382.00	\$46.00		\$50.00	\$478.00
Ralph Hobratschk	\$68.72	\$382.41	\$528.12	\$7.30	\$375.00	\$1,361.55
Tony Hopkins	\$72.00	\$998.71	\$318.30		\$740.00	\$2,129.01
Robert McCabe	\$72.00	\$382.00	\$302.16		\$375.00	\$1,131.16
David Montz	\$68.72	\$212.21	\$95.78		\$375.00	\$751.71
Matt Robinson					\$134.06	\$134.06
Denise Ruiz						
Laura Seifert		\$573.61	\$261.25		\$375.00	\$1,209.86
TOTAL	\$515.44	\$5,488.05	\$2,452.37	\$7.30	\$4,231.06	\$12,694.22

Other includes registration fees and hotel internet services.

Business Transactions Between School Districts and Board Members for FY 2018

There were no business transactions between the District and any board member for FY 2018.

Superintendent Outside Compensation

Superintendent Thad Roher, did not receive any outside compensation or fees for Professional Consulting or other personal services for the twelve-month period ended August 31, 2018.

Superintendent's Contract

The Superintendent's current contract is posted on the District's website at www.myfisd.com.

Executive Officer and Board of Trustees Gifts

The Superintendent and Board Members did not receive any gifts that had an economic value of \$250 or more in aggregate for the twelve-month period ended August 31, 2018 from an outside entity that received payments from FISD in the prior fiscal year or from competing vendors that were not awarded contracts in the prior fiscal year.

SUPERINTENDENT EMPLOYMENT CONTRACT
BETWEEN
FRIENDSWOOD INDEPENDENT SCHOOL DISTRICT
AND
THAD ROHER

This Employment Contract is made and entered into this 15th day of July, 2019, by and between the Board of Trustees (hereinafter referred to as Board) of the Friendswood Independent School District (hereinafter referred to as District) and Thad Roher (hereinafter referred to as Superintendent).

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

1. TERM

The Board, by and on behalf of the District, hereby employs, and Superintendent hereby accepts employment, as Superintendent of Schools for a term commencing July 1, 2019 and ending June 30, 2022 (3 years). The Board may consider the extension of this Contract each year following its annual evaluation and assessment of the Superintendent's performance, or at any other time determined by the Board. However, there is no requirement or duty for the Board to extend this Contract.

2. PROFESSIONAL CERTIFICATION AND RESPONSIBILITIES

A. Certification. The Superintendent shall maintain at all times during the term of this Contract valid and appropriate certification or permits to act as a 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 of Educator Certification, and shall provide evidence of such certification or permits to the Board upon request at any time. The

Superintendent also shall provide evidence of educational attainment, degrees earned, previous professional experience, and other records required for the personnel files of the District. Failure to maintain valid and appropriate certification or permits shall render this Contract void, and any material misrepresentation in any records provided to the District shall be grounds for termination.

B. Duties. The Superintendent shall faithfully perform the duties of Superintendent of Schools for the District as prescribed by law, Board policies and in the job description and as may be assigned by the Board from time to time. The Superintendent shall comply with all Board directives, policies, rules and regulations, and state and federal laws, as they exist or may hereinafter be amended or adopted during the term of this Contract. The Superintendent agrees to devote his full time, energy and skill to the performance of these duties in a faithful, diligent, conscientious, and efficient manner.

Superintendent shall have charge of the administration of the schools under the direction of the Board. He shall be the chief executive officer of the District; shall direct and assign teachers and other employees of the schools under his supervision; shall organize, reorganize and arrange the administrative and supervisory staff, including instruction and business affairs, as best serves the District; shall select personnel in accordance with Board policy; shall from time to time suggest regulations, rules and procedures deemed necessary for the efficient operation of the school district; and in general perform all duties incident to the office of the Superintendent and such duties as may be prescribed by the Board from time to time. All duties assigned to the Superintendent by the Board should be appropriate to and consistent with the professional role and responsibility of the Superintendent.

C. Board/Superintendent Relationship. Members of the Board, individually and collectively, shall promptly refer all criticisms, complaints and suggestions about the operation and administration of the school district called to their attention to the Superintendent for study and recommendation. The Superintendent shall have the right to attend all Board meetings and all Board and citizen committee meetings, except closed meetings of the Board involving the evaluation of the Superintendent or duties of the members of the Board.

D. Outside Activities. The Superintendent shall devote his time, attention and energy to the business of the school district. However, he may serve as a consultant to other districts or educational agencies, lecture, engage in writing activities and speaking engagements with prior approval of the Board, provided that such activities do not interfere with the performance of his duties as Superintendent. If such activities take place on one of the two hundred thirty one (231) work days upon which his salary is predicated, the Superintendent shall pay any honorarium received to the District. Otherwise, any honorarium shall be retained by the Superintendent.

E. Reassignment. The Superintendent is employed specifically and solely to perform the duties of 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.

3. PROFESSIONAL GROWTH OF SUPERINTENDENT

The Board encourages the continuing professional growth of the Superintendent through his participation in the following:

- a. the operations, programs and other activities conducted or sponsored by local, state and national school administrator and school board associations (*e.g.*, AASA and NSBA conventions);
- b. seminars and courses offered by public or private educational institutions;
- c. informational meetings with other persons whose particular skills or backgrounds would serve to improve the capacity of Superintendent to perform his professional responsibilities for Board; and
- d. travel to other institutions.

The Board shall permit a reasonable amount of release time for Superintendent, as it deems appropriate, to attend to such matters and shall pay for the necessary fees for travel and attendance expenses, as approved by the Board in the annual budget.

4. COMPENSATION. The Board shall pay the Superintendent an annual salary of \$206,338 (two hundred and six thousand, three hundred thirty eight dollars) for the first year of this contract. Such salary shall be paid to Superintendent in equal installments in accordance with Board policy governing payment of salary to other professional staff members in the District. The Board shall have the right to adjust the salary of the Superintendent at any time during the term of this Contract, provided that no such adjustment shall reduce the annual salary herein set forth unless the same be part of a uniform plan affecting salaries of all employees of the District. Any adjustment in salary made during the term of the Contract may be in the form of an amendment and may become part of the Contract.

5. MISCELLANEOUS BENEFITS

A. The Superintendent shall receive the same number of personal and local leave days per year as are afforded to other professional employees of the District employed pursuant to 231-day contracts. The Board shall provide the Superintendent, at District expense, with employee benefits, including medical insurance protection in the District's group benefits programs, as are provided other professional employees of the District. He shall also be entitled to such other benefits as agreed to in this Contract.

B. The Board shall pay the Superintendent's membership dues to the American Association of School Administrators, the Texas Association of School Administrators, and other professional groups approved by the Board to maintain and improve his professional skills, as permitted by state law and as approved by Board in the annual budget.

C. Recognizing the importance of a strong working relationship between the schools and the community, the Board shall pay reasonable dues, membership fees and related expenses for the Superintendent's membership in service and civic associations as approved by the Board in the annual budget.

D. The Board shall pay or reimburse the Superintendent for reasonable and necessary expenses approved by the Board and incurred by the Superintendent in the continuing performance of his duties under this Contract.

E. In addition to the compensation set forth in paragraph 4, the Board shall pay the Superintendent an annual \$3,600 (three thousand six hundred dollars) allowance for expenses incurred while traveling within the District and Region IV ESC. The Superintendent will be reimbursed by the District on a per mile basis for business travel in the Superintendent's personal

automobile to destinations outside the District and outside of Region IV ESC in accordance with District policy the same as for other administrative employees on twelve month contracts.

6. RESIDENCE

The Superintendent agrees to maintain his principal residence within the District continuously throughout the term of his employment as Superintendent.

7. PROFESSIONAL LIABILITY

A. The District shall indemnify, defend, and hold the Superintendent harmless regarding any claims, demands, duties, actions or other legal proceedings against the Superintendent 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 acted with gross negligence or with intent to violate a person's clearly established legal rights or to have engaged in criminal conduct, nor does it apply to criminal investigations or proceedings. The District may, at its sole option, 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 insurance coverage purchased for the protection of the Board and the professional employees of the District. No individual member of the Board shall be personally liable for indemnifying and defending the Superintendent under this paragraph.

B. 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.

C. The Superintendent shall fully cooperate with the District in defense of any and all demands, claims, suits, actions and legal proceedings brought against the District.

8. MEDICAL AND DENTAL EXAMINATION

In light of the unique nature of the professional duties of the Superintendent of Schools, the Board shall, at its expense, provide a complete medical and dental examination of Superintendent once each year. For each year of employment as Superintendent, the Board will receive a report from a physician of the continued physical fitness of Superintendent to perform his duties. If there is a change in the health of Superintendent such that he no longer has the same continued physical fitness to perform his duties, the examining physician shall provide notice to the Board within 30 days of the examination. Any report shall be given directly and exclusively by the examining physician of the Superintendent. Any report shall be confidential.

9. GOALS AND OBJECTIVES

The Board and Superintendent shall meet annually, at a date and time determined by the Board, to establish Board goals and objectives for the District for the ensuing school year. Said goals and objectives shall be reduced to writing and shall be among the criteria by which the Superintendent is evaluated as hereafter provided.

10. EVALUATION

The Board shall evaluate and assess the performance of the Superintendent in writing each year during the term of this Contract, and at such 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 prescribed by law, Board policies and in the Superintendent's job description.

12. TERMINATION OF EMPLOYMENT CONTRACT

This Employment Contract may be terminated by:

A. Mutual Agreement of the Parties.

B. Retirement of Superintendent.

C. Death of Superintendent.

D. Disability of Superintendent. 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 sick leave has been exhausted, the District may make appropriate deduction from the Superintendent's annual base salary for any additional days in which the Superintendent is unable to perform the duties of his position. If such disability continues for a continuous period of one hundred eighty (180) days, or if such disability is permanent or irrevocable 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 Board may require the Superintendent to submit to a medical examination to be performed by a doctor licensed to practice medicine in the state of Texas. The Board shall select the physician who shall conduct the examination. The examination shall be done at the expense of the Board. 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.

E. Discharge for Good Cause. Good cause for termination shall constitute conduct which is prejudicial to the Board, including but not limited to neglect of duty or breach of contract, inefficiency or incompetency, or any other conduct that may constitute good cause as

determined under state law or Board policy. Reasons for a proposed termination for good cause shall be given in writing and the Superintendent shall be entitled to all procedural and substantive rights as set forth in the Board's policies and applicable state and federal law. If the Superintendent chooses to be represented by legal counsel in any such proceedings, he shall bear any costs therein involved.

F. Renewal/Non-renewal. Renewal or non-renewal of this Contract shall be in accordance with Board policy and applicable law.

13. SAVINGS CLAUSE

If, during the term of this Contract, it is found that a specific provision of the Contract violates or is unenforceable under federal or state law, the remainder of the Contract shall not be affected by such a ruling and shall remain in full force and effect.

14. CONTROLLING LAW

This Contract shall be governed by the laws of the state of Texas and it shall be performable in Galveston County, Texas unless otherwise provided by law. Venue for any dispute concerning the interpretation and/or enforcement of this Contract shall be in Galveston County, Texas.

15. COMPLETE AGREEMENT AND AMENDMENT

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 annual base salary of the Superintendent, shall be made only by written amendment signed by both parties.

16. 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.

IN WITNESS WHEREOF, the Board has caused this Employment Contract to be approved on its behalf by its duly authorized President and the Superintendent has approved this Employment Contract, effective on the day and year specified in section 1 above.