



Annual Financial Accountability Management Report

2017-2018 Ratings Based on School Year 2016-2017 Data
Financial Integrity Rating Systems of Texas

For the Year Ending June 30, 2017

**Dr. Leigh Wall, Ed.D., Superintendent of Schools
Lee Townsend, CPA Chief Financial Officer
Marianne Junco, Director of Finance**

Introduction

During the 77th regular session of the Texas legislature (2001), Senate Bill 218 was passed requiring the Commissioner of Education to adopt rules for the implementation and administration of the financial accountability rating system now known as the Financial Integrity Rating System of Texas (or School FIRST). 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 preliminary notification of the 2017-2018 Final School FIRST rating on August 8, 2018. This rating is based upon analysis of staff and student data reported for the 2016-2017 school year, and budgetary and actual financial data for the fiscal year ending June 30, 2017.

The primary goals of School FIRST are to:

- Efficiently assess the quality of financial management in Texas public schools
- Measure and report the extent to which financial resources in Texas public schools assure the maximum allocation possible for direct instructional purpose
- Implement a rating system that fairly and equitably evaluates the quality of financial management decisions
- Improve the management of school districts' financial resources
- Increase financial accountability within Texas' public education system

The primary reporting tool is the Financial Accountability Ratings Worksheet. This worksheet was 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.

In summary, like last year, Santa Fe ISD enjoys a rating of “**A = Superior**”, scoring a 92 out of a possible 100 on the financial accountability worksheet. This is the highest financial accountability rating that can be assigned by TEA.

Overview of the Worksheet

Indicators #1 through #5 are directly related to the district's Annual Financial Report. Any “NO” response in this category is a signal indicator of fiscal distress. These five indicators revolve around the audit report, TRS payments, debt service payments, fund balance and the auditor's findings. For the 2016 fiscal year, Santa Fe ISD had a General Fund Balance of \$14,267,536, an Unqualified Opinion in the Annual Financial Report.

Indicators #6 through Indicators #15 measure cash versus investments, current assets, long-term liabilities, general fund revenue expectations, debt service ratios, the administrative cost ratio, accuracy of PEIMS reporting, and the annual financial audit.

- **Indicator #6 score 8 out of 10** *The number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures.*

Explanation: This was the first 12-month year since the change the start date to our fiscal year. Normally, a large amount of state funding is received during July and August. Since we are allowed to use modified accrual accounting, we are able to post the revenue back to

the prior year, but the cash stays in the current fiscal year. To offset the timing issue of receiving state funds after the close of the year, we need to make sure we reimburse the general fund for all federal, state, and local programs and capital project expenditures.

- **Indicator #8 score 6 of 10:** *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 districts passes this indicator).*

Explanation: Our membership change over 5 years has never been 7 percent or more.

- **Indicator #11 score 8 of 10:** *The school district's administrative cost ratio equal to or less than the threshold ratio? During 16-17 there were some one time function 41 expenditures which attributed to more expenditures being classified as administrative costs.*

Explanation:

- During the 2016-2017 we paid Perdue Linbarger to represent us in an appeal to the Texas Comptroller's Office over invalid property values. The cost of that was 10% of our school finance gain. The invoice was \$218,212.
- The cost of the 2016 election was \$23,000
- We purchased several pieces of equipment to upgrade the district PrintShop.
- Annually district personnel collaboratively work together to verify account codes for campus personnel, special programs personnel, federal programs personnel, and operational personnel.
- For the 2016-2017 school year the ADA was 95.1% so the range for compliance is less than or equal to .1151. Our calculation of ratio comes from function 21, and 41 expenditures divided by 11, 12, 13 and 31 function expenditures. Our district administrative cost ratio is .117223 and the threshold is .1151. The 2017-2018 expenditure ratio is less than .1151 so we should receive a score of 10 on this indicator in the next FIRST report.

The Santa Fe ISD School Board, administration and the community have worked hard to improve the financial position and condition of the District over the past several years. This report demonstrates this improvement to all concerned.

Other Data Concerning the District's Operations

The purpose of this section of the report is to discuss other aspects of our business operations not covered by the worksheet, but suggested by law as indicators of significance meriting discussion. We should view the worksheet as a good basic tool with which to assess our primary business practices. However, we should not stop there. We should always work towards improvement in all aspects of our operation to maximize funds available to campuses for educational purposes and to our ancillary departments that support our campuses.

Below is a review of several business practices not covered directly by the Financial

Accountability Worksheet.

Financial Strength

The State of Texas recommends that we discuss financial strength in this report. This is a difficult topic to address because there are many measures of financial strength, some are better than others, and it's hard to tell which one is the best measure. At this time, our fund balance is at a sufficient level to cover any cash flow deficits due to the timing of property tax collections or a delay in state revenue payments from the State.

Operating Cost Management

Only a small portion of our total General Fund expenditures is flexible or variable in nature. Salaries and benefits comprise approximately 80% of the budget each year. Utility payments have continued to increase and comprise approximately 5% of the budget. Property insurance and appraisal district fees comprise an additional 4% of the budget. These four items alone account for approximately 89% of the District's operating budget each year. Once you remove these four large expenditures from the operating budget, you are left with only a small portion of the budget that covers all other expenditures of the District.

Personnel Management

The District's longstanding personnel goal is to attract and retain qualified staff, and to offer a competitive salary and benefit package to all employees. Second only to our students' welfare and education, is attracting and retaining a quality teaching staff, and that has been a priority for Santa Fe ISD.

Debt Management

The district uses 25 years for repayment of bonds for construction of facilities, even though the life of the building to be built is much longer. In no instance does the district finance bonds for a longer period than the life expectancy of the capital improvement.

As our district continues to face the many challenges associated with maintaining its facilities, our Board of Trustees unanimously called for a bond referendum on November 8, 2016. The bond referendum was passed by voters, and provided Santa Fe ISD with the means to construct a new elementary school. The school is expected to open May 2019.

Debt management is easier if local taxes are collected at a high collections rate consistently over the years. One of the worksheet indicators deals with this issue. Santa Fe's collection rates average 97.9 % for the past 3 years. The district uses every opportunity to refund the existing debt to lower the interest due on the debt principal.

Cash Management

We have State (Public Funds Investment Act) and local board policies that require us to invest funds with six objectives in mind. In order of importance, they are: suitability, safety, liquidity, marketability, diversity and yield. State and local policies specify what types of securities we can purchase. We do not purchase investments that fall outside these policy restrictions. For the 2016-2017 school year, interest rates stayed around 1.25%. Since interest revenue is limited by economic conditions, Santa Fe ISD has the majority of its assets in

governmental overnight pools. During the 2017-2018, we are schedule to invest a portion of the bond proceeds for an average yield of 1.45%.

Student Data Management

The district's funding formula is based on the Average Daily Attendance (ADA) and Total Refined ADA.

- 2013 – 2014 Total Refined ADA was 4,251.4 with Percent in Attendance being 93.8%.
- 2014-2015 Total Refined ADA was 4,267 with Percent in Attendance being 94.1%.
- 2015-2016 Total Refined ADA was 4,352 with Percent in Attendance being 95.1%.
- 2016-2017 Total Refined ADA was 4,427 with Percent in Attendance being 95.1%.

As we see our attendance percentage increase, the total refined ADA will also increase. Student and financial data integrity play a key role in Santa Fe ISD financial and academic success. Enrollment for 2017-2018 first day is 4,736. Enrollment for 2016-2017 first day was 4,668 compared to 2015-2016 first day of 4,459.

Business Services Internal Controls

Santa Fe ISD's Business Office is committed to following industry standards and best practices. The Business Office host annual bookkeeper training, quarterly budget reviews with budget managers, additional needs planning with all budget managers, and host an annual general information Booster Club meeting. The business office practices segregation of duties between the following departments: human resources, payroll, benefits, accounts payable, cash management and tax collections.

Budgetary Planning & Financial Management

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. Our fiscal years now start July 1st and end June 30th.

Traditionally Santa Fe ISD allocate funds to campuses based on the number of students attending that campus. Support departments get funds based on their previous year's budget adjusted (up or down) for future years' needs.

In January, we begin calculating state and local tax revenues and the budget starts to take on some form. For teacher recruiting purposes, the optimal time for making a public salary decision is March. April is the month we are first able to give the Board and the public a preliminary view of how next year's budget looks. May through June are busy months for budget preparation, with Board workshops and meetings. 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. In odd-numbered years, the legislature is in session, and that complicates and delays our budgeting process.

Our budget process is a proactive and highly participatory one, where 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 to a certain degree. It is referred to as site-based decision making. It is a system that works best in the long run for all of us by

allocating resources where they are needed, even when those needs change.

Superintendent and Board of Trustees Travel Expenditures

For the Year end period ended June 30, 2017

Description of Expenditure	Leigh Wall	J.R. "Rusty" Norman	John Rothermel	Wayne Logan	Sheryl Skufca	John Snider	Eric Davenport	Patrick Kelly
Meals	-							
Lodging	1,068.90							
Transportation	730.30							
Registration	570.00	453	453	453	453	128	128	128
Other								
Total	\$2,369.20	\$ 453.00	\$ 453.00	\$ 453.00	\$ 453.00	\$ 128.00	\$ 128.00	\$ 128.00

Business Transactions Between School Districts and Board Members for FY 2017 There were no business transactions between the District and any board members for the twelve-month period ending June 30, 2017.

Superintendent Outside Compensation

Dr. Leigh Wall did not receive any outside compensation or fees for Professional Consulting or other personal services for the twelve-month period ending June 30, 2017.

Superintendent's Contract

Dr. Leigh Wall's contract is posted on the District website at www.sfisd.org.

Executive Officers and Board of Trustees Gifts

Executive Officers and Board Members did not receive gifts that had an economic value of \$250 or more in aggregate for the twelve-month period ending June 30, 2017.