



Annual Financial Accountability Management Report

2019-2020 Ratings Based on School Year 2018-2019 Data
Financial Integrity Rating Systems of Texas

For the Year Ending June 30, 2019

**Dr. Leigh Wall, Ed.D., Superintendent of Schools
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of Operations/CFO
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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 2019-2020 Final School FIRST rating on August 8, 2020. This rating is based upon analysis of staff and student data reported for the 2018-2019 school year, and budgetary and actual financial data for the fiscal year ending June 30, 2019.

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 94 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 critical indicators which 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. Failure to meet the requirements of a critical indicator will cause a school district to fail School FIRST for the applicable rating year. For the 2018 - 2019 fiscal year, Santa Fe ISD had a General Fund Balance of \$17,326,370, an Unqualified Opinion in the Annual Financial Report.

Indicators #6 through Indicators #15 are solvency indicators. The indicators 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 #7 score 8 of 10: *Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?*

Explanation: At the end of 2019, there was a concern the 2018-2019 ADA and enrollment

was lower than expected and we would need repay \$2,000,000 to Texas Education Agency (TEA) for less students and lower ADA. At the end of 2019, we created an entry on the general ledger to recognize \$2,000,000 less in revenue from TEA for the 2018-2019 school year. In January 2020, SFISD received a notice we received a one time ADA adjustment for 2018-2019, so the payable was reversed in 2019-2020 fiscal year. This payable (2018-2019) caused the current liabilities to be higher than normal, which caused the ratio to be less than expected which changed the indicator rating from a 10 (prior year) to an 8. This indicator should return to a 10 in future years.

- **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 student membership change over 5 years has never been 7 percent or more.

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 83% of the budget each year. Utility payments decreased slightly and are approximately 3% of the budget. Property insurance and appraisal district fees comprise an additional 4% of the budget. These four items alone account for approximately 91% 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. William F. Barnett Elementary opened August of 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 97.1 % 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 2018 - 2019 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.

Student Data Management

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

- 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%.
- 2017 - 2018 Total Refined ADA was 4,402 with Percent in Attendance being 94.7%.
- 2018 - 2019 Total Refined ADA was 4,187 with Percent in Attendance being 94.6%.
- 2019 - 2020 Total Refined ADA was 4,186 ADA is pending due to COVID 19

As we see our attendance percentage decrease, the total refined ADA will also decrease. Student and financial data integrity play a key role in Santa Fe ISD financial and academic success.

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 on 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, 2019

Description of Reimbursements	Dr. Leigh Wall	John Snider	Eric Davenport	Clay Hertenberger	Wayne Logan	James Grassmuck	Patrick Kelly	J.R. "Rusty" Norman	John Rothermel	Sheryl Skufca
Meals	40.86	0	20	0	20	0	20	20	20	0
Lodging	1,060.00	0	368.42	0	442.42	0	462.7	496	368.42	368.42
Transportation	564	0	28	0	28	0	28	28	28	28
Registration	2,007.00	375	375	0	375	0	0	375	375	375
Other	-									
Total	\$3,671.86	\$375.00	\$791.42	\$0.00	\$865.42	\$0.00	\$510.70	\$919.00	\$791.42	\$771.42

Business Transactions Between School Districts and Board Members for FY 19

There were no business transactions between the District and any board members for the twelve-month period ending June 30, 2019.

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, 2019.

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, 2019.