



Annual Financial Accountability Management Report

2020-2021 Ratings Based on School Year 2019-2020 Data
Financial Integrity Rating Systems of Texas

For the Year Ending June 30, 2020

**Dr. Kevin Bott, Ed.D., Superintendent of Schools
Lee Townsend, CPA Assistant Superintendent
of Operations/CFO
Alejandro Sanchez, 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 2020-2021 Final School FIRST rating on August 6, 2021. This rating is based upon analysis of staff and student data reported for the 2019-2020 school year, and budgetary and actual financial data for the fiscal year ending June 30, 2020.

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 #4 are critical indicators which directly relates 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 2019 - 2020 fiscal year, Santa Fe ISD had a General Fund Balance of \$17,318,227, an Unqualified Opinion in the Annual Financial Report.

Indicators #6 through Indicators #20 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 #8 score 6 of 10: *Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?*

Explanation: Since 2018-2019 SFISD average daily attendance/enrollment has declined over the school year. TEA (Texas Education Agency) Finance Division normally assigns revenue

to Texas School Districts in May of each year for the next year. If TEA over estimates a school district's revenue, the school district is overpaid and there is a settle up process the next fiscal year. There is not a benchmark or correction process in place to reduce the payments being sent to Texas school districts. SFISD has received too much State revenue for the last few years. SFISD has to recognize the overpayment in the fiscal year the revenue is received as unearned revenue. Generally accepted accounting principles (GAAP) requires us to recognize revenue in the correct period (no matter when the cash is received). Since we did not earn the revenue, we must post the over payment or revenue as unearned (liability) at the end of the fiscal year. This unearned revenue (18-19 and 19-20) causes the indicator ratio to be less than 10 points.

- **Indicator # 11 score 8 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.

- **Indicator #12 score 8 of 10:** Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?

Explanation: To score a 10 on this indicator the ratio needs to be 4 or less. Our ratio is 4.9. The indicator does not take into account future/potential new properties added to assessed property values. When we added Barnett to our long term liability, we used all the available equity/capacity available in order to stabilize the tax rate. We have not raise the Debt Service/Interest and Sinking tax rate since 2016.

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 2019-2020 school year, interest rates were less than 1% Since interest revenue is limited by economic conditions.

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 4,143 with Percent in Attendance being 94.55%.
- 2020 – 2021 Total Refined ADA was 3,990 with Percent in Attendance being 95.08%

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 allocates 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, 2020

Description of Reimbursements	Dr. Leigh Wall	John Snider	Eric Davenport	Clay Hertenberger	Wayne Logan	James Grassmuck	Patrick Kelly	J.R. "Rusty" Norman	Matt Crable	Angie Lambright
Meals	38	0		0		0				
Lodging	1,348.08	0	463.26	0	463.26	231.63	463.26			
Transportation	783.55	0		135.00	61.00	75.00	50.10			
Registration	645	60.00		60		0				
Other	625									
Total	3,439.63	60.00	463.26	195.00	524.26	336.63	513.36			

Business Transactions Between School Districts and Board Members for FY 20

There were no business transactions between the District and any board members for the twelve-month period ending June 30, 2020.

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, 2020.

Dr. Kevin Bott did receive outside compensation or fees from Texas A&M University Central – Texas for teaching services. The amount earned as outside compensation was \$9,000 for the period ending June 30, 2020.

Superintendent's Contract

Both Dr. Leigh Wall's contract and the new Superintendent Dr. Kevin Bott's contract is posted on the District website at www.sfid.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, 2020.

RATING YEAR DISTRICT NUMBER 

Financial Integrity Rating System of Texas

2020-2021 RATINGS BASED ON SCHOOL YEAR 2019-2020 DATA - DISTRICT STATUS DETAIL

Name: SANTA FE ISD(084909)	Publication Level 1: 8/4/2021 2:00:38 PM
Status: Passed	Publication Level 2: 8/6/2021 11:10:55 AM
Rating: A = Superior Achievement	Last Updated: 8/6/2021 11:10:55 AM
District Score: 92	Passing Score: 70

#	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>	6/8/2021 3:30:01 PM	Yes
2	<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>	6/8/2021 3:30:01 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 between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)</u>	6/8/2021 3:30:01 PM	Yes
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? (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.)</u>	7/1/2021 9:03:28 AM	Yes Ceiling Passed
5	This indicator is not being scored.		
			1 Multiplier Sum
6	<u>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.)</u>	6/28/2021 11:06:44 AM	Ceiling Passed

7	<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 in the Determination of Points section.</u>	6/8/2021 3:30:01 PM	10
8	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? See ranges below in the Determination of Points section.</u>	6/8/2021 3:30:01 PM	6
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? See ranges below in the Determination of Points section.</u>	6/8/2021 3:30:02 PM	10
10	<u>Did the school district average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?</u>	7/2/2021 1:19:54 PM	10
11	<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 increase of students in membership over 5 years was 7 percent or more, then the school district automatically passes this indicator. See ranges below in the Determination of Points section.</u>	6/8/2021 3:30:03 PM	8
12	<u>Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments? See ranges below in the Determination of Points section.</u>	6/8/2021 3:30:03 PM	8
13	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? See ranges below in the Determination of Points section.</u>	6/8/2021 3:30:03 PM	10
14	<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>	6/8/2021 3:30:04 PM	10
15	<u>Was the school district's ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections? See ranges below in the Determination of Points section.</u>	6/8/2021 3:30:04 PM	5
16	<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? (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.)</u>	6/8/2021 3:30:04 PM	Ceiling Passed
17	<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.) (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.)</u>	6/8/2021 3:30:04 PM	Ceiling Passed
18	<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>	6/8/2021 3:30:04 PM	10
19	<u>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?</u>	6/8/2021 3:30:04 PM	5
20	<u>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.)</u>	6/8/2021 3:30:04 PM	Ceiling Passed
			92 Weighted

	Sum
	1 Multiplier Sum
	(100 Ceiling)
	92 Score

DETERMINATION OF RATING

A.	Did the school district fail any of the critical 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
<p>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.</p> <p>The school district receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, or 4, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis.</p>		

CEILING INDICATORS

<p>Did the school district meet the criteria for any of the following ceiling indicators 4, 6, 16, 17, or 20? If so, the school district's applicable maximum points and rating are disclosed below. Please note, an F = Substandard Achievement Rating supersedes any rating earned as the result of the school district meeting the criteria of a ceiling indicator.</p>		
Determination of rating based on meeting ceiling criteria.	Maximum Points	Maximum Rating
Indicator 4 (Timely Payments) - School district was issued a warrant hold.	95	A = Superior Achievement
Indicator 6 (Average Change in Fund Balance) - Response to indicator is <i>No.</i>	89	B = Above Standard Achievement
Indicator 16 (PEIMS to AFR) - Response to indicator is <i>No.</i>	89	B = Above Standard Achievement
Indicator 17 (Material Weaknesses) - Response to indicator is <i>No.</i>	79	C = Meets Standard Achievement
Indicator 20 (Property Values and Tax Discussion) - Response to indicator is <i>No.</i>	89	B = Above Standard Achievement

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FIRST 5.11.6.0