



Annual Financial Accountability Management Report

2021-2022 Ratings Based on School Year 2020-2021 Data
Financial Integrity Rating Systems of Texas

For the Year Ending June 30, 2021

**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 2021-2022 Final School FIRST rating on August 6, 2022. This rating is based upon analysis of staff and student data reported for the 2020-2021 school year, and budgetary and actual financial data for the fiscal year ending June 30, 2021.

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 #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 2020 - 2021 fiscal year, Santa Fe ISD had a General Fund Balance of \$17,173,706. Santa Fe Independent School District received 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 8 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 (18-19,19-20 and 20-1) causes the indicator ratio to be less than 10 points. For 2020-2021, the payables were less than prior years, there the score actually improved from a 6 to an 8.

- 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. This indicator score did not change from 2019-2020 fiscal year.
- 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. This indicator score did not change from 2019-2020 fiscal year.

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 2020-2021 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 4,412 with Percent in Attendance being 95.1%.
- 2017 - 2018 Total Refined ADA was 4,431 with Percent in Attendance being 94.6%.
- 2018 - 2019 Total Refined ADA was 4,223 with Percent in Attendance being 94.6%.
- 2019 - 2020 Total Refined ADA was 4,086 with Percent in Attendance being 94.55%.
96.3% Adjusted for COVID 19
- 2020 – 2021 Total Refined ADA was 3,990 with Percent in Attendance being 95.08%
95.4% Adjusted for COVID 19
- 2021 – 2022 Total Refined ADA was 3,921 with percent in attendance being 92.76%

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.

A look back at 2020-2021 Fiscal Year

- COVID 19 dropped Santa Fe Independent School District ADA (Average Daily Attendance) and the Texas Education Agency (TEA) adjusted everyone's ADA based on remote learning to offset for the higher than normal absence rate for students.
- Fall 2020 started with three weeks remote learning at Santa Fe Independent School District.
- Santa Fe Independent School District participated in the statewide 1-1 device program
- COVID 19 created substitute teacher challenges
- COVID 19 cleaning protocols were implemented district wide.
- Santa Fe Independent School District changed depository banks from Frost to Texas First Bank.
- Santa Fe Independent School District received a TCEQ bus grant for new buses. Six buses were purchased.
- Santa Fe Independent School District continued with the Fine Arts wing construction and it was completed June 2021.

- Santa Fe Independent School District closed out the bond project for Barnett elementary and other capital projects.
- Santa Fe Independent School District received the COPS grant which allowed for the Milestone Camera System installation, JH audio enhancement, and additional/replacement cameras districtwide.
- In February 2021, we had a deep freeze winter storm which caused damage in several of our facility HVAC/air handler units.
- Due to the pandemic, supply chain issues impacted purchasing of goods and services districtwide.

Superintendent and Board of Trustees Travel Expenditures

For the Year end period ended June 30, 2021

School FIRST Annual Financial Management Report								
Santa Fe Independent School District								
2021-2022 Reporting for fiscal year 2020-2021								
Reimbursements Received by the Superintendent and Board Members								
For the Twelve-Month Period								
Ended June 30 2021								
		JR Rusty	Matt	Patrick	Eric	Clay	James	Angie
Description of Reimbursements	Dr. Wall	Norman	Crable	Kelly	Davenport	Hertenberger	Grassmuck	Lambert
Meals		\$	\$	\$	\$	\$	\$	\$
Lodging								
Registration	530	365	365	365	365	365	365	590
Transportation						160		
Motor Fuel								
Meeting Supplies	2,566							
Other								
Total	\$3,096.00	\$365.00	\$365.00	\$365.00	\$365.00	\$525.00	\$365.00	\$590.00

Business Transactions Between School Districts and Board Members for FY 21

There were no business transactions between the District and any board members for the twelve-month period ending June 30, 2021.

Superintendent Outside Compensation

Dr. Kevin Bott did receive outside compensation or fees from Texas A&M University Central – Texas for employment as an adjunct professor of education. The amount earned as outside compensation was \$7,000 for the period ending June 30, 2021.

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, 2021.