



Snyder ISD

**Annual Financial Accountability
Management Report**

For the Year Ending August 31, 2017

Prepared by

Brittany Floyd, *Accountant*

With Assistance from the Business Office Team

Yolanda Arellano, *Payroll Specialist*

Kathy Boyd, *Finance Secretary*

Brooke Barton, *PEIMS Officer*

Bernice Ornelas, *Purchasing Specialist*

Kitty Welch, *Accounts Payable Specialist*

Tosha Calloway, *Human Resources*

Contents

Introduction of Financial Integrity Rating System of Texas

Other Data Concerning the District's Operations

2016-2017 District Financial Integrity Rating Status Summary

Disclosures

Introduction

Passed during the 77th regular session of the Texas Legislature (2001), Senate Bill 218 requires each school district to prepare an annual financial accountability report. Many business-related issues are covered in this report. The primary reporting tool, however, 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 TEA and calculated on information submitted to the Agency via the annual PEIMS submission. The 2017 School FIRST ratings were based upon an analysis of staff and student data reported for the 2016-2017 school year and budgetary and actual financial data for the 2016 fiscal year.

Known as the FIRST rating (Financial Integrity Rating System of Texas), the worksheet consists of 15 Indicators, with yes or no answers for indicators one through five. The remaining 10 indicators are worth 10 points each for a possible score of 100. A rating is then determined from the overall score. **For the past thirteen years, Snyder ISD has earned the highest rating awarded and this year has again been rated, "Superior."** This report briefly focuses on how the "Superior" rating was earned and what will be required to maintain it.

Other Data Concerning the District's Operations

The purpose of this section of the report is to discuss other aspects of the District's business operations not covered by the worksheet. The worksheet should be viewed as a basic tool with which to assess SISD's primary business practices. However, a financial evaluation should not stop there. The district should always be working to improve in all areas in order to maximize funds available to campuses for educational purposes and to our ancillary departments that support our campuses.

Outlined below, are a number of business practices not covered by the Financial Accountability Worksheet directly.

Financial Strength

The state of Texas recommends that financial strength be discussed in this report. A significant financial indicator of strength is the district's ability to meet cash flow each year without borrowing money. As a Chapter 41 district, state funds will continue to decrease based on the assumption that the District is realizing revenues from tax collections. Snyder ISD has not borrowed funds for operating reasons at any time in recent history, which is one indicator of adequate financial strength.

Another indicator of financial strength can be measured by the District's level of fund balance. The fund balance of the district has increased significantly in the past nine years from \$1,897,783 in 2000-2001 to \$34,639,351 in 2015 of which \$15,000,000 has been designated/reserved for capital improvements and other financial needs. Careful management of the operating budget has enabled SISD to increase fund balance for future financial needs.

RATING UPGRADE (As of June 27, 2011) Standard & Poor's Rating Services raised its long-term and underlying rating to 'A+' from 'A-' for the District. The upgrade reflects Standard & Poor's opinion of, what Standard & Poor's considers, the District's continually strong financial performance, further supported by the District's good financial management practices.

MOODY'S investor services has assigned a Aa3 underlying rating to SISD's \$15,000,000 bonds, listing the district's strengths as a healthy financial position and low direct debt burden and descending debt service payments.

Further, in August of 2016, in preparation for a bond refunding, MOODY'S again reviewed and assigned an Enhanced rating of Aaa to SNYDER CONSOLIDATED INDEPENDENT SCHOOL DISTRICT, TX, Unlimited Tax Refunding Bonds, Series 2016.

These ratings are evidence of Snyder's strong financial position and sound financial practices.

Operating Cost Management

A relatively small portion of total General Fund expenditures are flexible or variable in nature. Salaries and benefits comprise the largest part of the annual budget, followed by other fixed costs such as recapture payments, maintenance, transportation, utilities, tax appraisal fees, tax collection fees, and debt service. The remaining expenditures are allocated for supplies, materials, capital outlay, staff development, construction, and contracted services.

Personnel Management

The District's longstanding personnel goal is to attract and retain qualified staff, and to offer a competitive salary and benefit package each year. In an effort to remain competitive with area districts, teacher salaries were increased from \$3,000 above state base in 2006-2007 to \$4,000 above state base in 2007-2008. The district also added 10 additional steps above the 20 step teacher salary schedule (State Minimum Salary Schedule for Classroom Teachers, Full-Time Librarians, and Full-Time Nurses). After converting to a hiring schedule in 2010, salaries were increased 3% from mid-point for 2010-2011. In 2012, teacher salaries were increased on average, 2.5%. In 2013, a 1% from mid-point salary increase was approved by the Board, along with a \$600 per year increase in the District's contribution toward the employee's health care premium. In 2014, the board approved a 1.5% from mid-point salary increase for all employees and in 2015 approved a 1-2% (depending on pay grade) increase for employees. In 2016, the board voted to increase the health care premium contribution from \$388 to \$425 per month for each employee's health care premium while continuing to provide dental, vision and life insurance for all employees.

Debt Management

The taxpayers of the District authorized a \$24.585 million bond program in September 2004. This authorization was received very favorably by the voters. This speaks to the confidence voters have in the District, not only from an instructional viewpoint, but also from a financial management perspective.

All funds under the 2004 authorization have been issued. The elementary school was completed in August, 2007 and was opened with approximately 1,200 students in attendance. Several renovation projects were also completed during the 2007-2008 year.

In October of 2013 SISD refunded portions of the Series 2005 (Sept. '04) bonds reducing the district's debt service by approximately \$11,000,000 and shortening the term by 4 years.

In May of 2014, the voters approved a \$15,000,000 bond for a new junior high school. These bonds were sold in September of 2014. The new junior high is scheduled for completion in May 2016.

In September of 2016 SISD refunded portions of Series 2014 bonds reducing debt by an additional \$1.6 million.

Debt management is more effective if local taxes are collected at a high collections rate consistently over the years. The District has experienced favorable tax collections, which is one of the worksheet criterions dealing with this issue.

Facility Acquisition and Construction Management

A 2007-2008 facility study noted needed improvements to athletic facilities, fine arts areas, vocational facilities and the administration building. A bond election was called for in the November general election to address most of these needs. Unfortunately, the bond did not pass in the November 4, 2008 election. Carefully considering the recommendations outlined in the study, the District has used portions of its available maintenance and operations budget to address facility needs by constructing a new cafeteria at SHS (2010-12), renovating Worsham Auditorium (2012), reconstructing Tiger Stadium (2011-2012) and renovating the administration building.

In May of 2014 the voters approved a \$15,000,000 bond for a new junior high school. The new junior high was completed in the summer of 2016 and is now in use. As part of this project, the district renovated the former junior high and converted this facility to a 4-5 campus, housing 450 students.

Cash Management

The worksheet addresses cash/investment issues. The worksheet criteria essentially states that a district should have cash available, and should earn a minimal rate of return on it. In truth, an investment and cash management program is much more complex.

First, state and local board policies require funds be invested with four major objectives in mind. In order of importance, they are: safety, liquidity, diversity and yield.

State and local policy specify what types of securities can be purchased, and virtually all of them fall within these restrictions. Certificates of Deposit are legal investments, but they are not liquid and their marketability can fluctuate, so CD's are only purchased when they are the most attractive investment in terms of maturity and return.

There are a few investments that are legal to purchase, but they aren't very marketable. Consequently, SISD does not purchase them. Bonds of the state of Israel are a good example. While diversity in the portfolio is always a goal, interest rates have dictated the direction of investments the past several years. Operating funds are mainly kept in investment pools and with the District's depository bank. Lastly, monthly reviews of investment activity and performance and an annual review of the investment policy are submitted to the Board of Trustees for review and approval, as required by law.

Budgetary Planning & Financial Allocations

The District's budget process begins in February each year. During the first month of planning, budget allocations are developed for each campus and department. Most school districts have some rational basis for allocating funds to campuses and operating departments. Snyder ISD's funds are allocated to the campuses based on the number of students and type of campus. Support departments receive funds based on previous year's budgets adjusted (up or down) for future years' needs. Special project requests for amounts supplemental to allocations are considered individually each year. In May, budget requests are submitted and state and local revenue calculations begin. June and July are spent compiling this information and the first preliminary view of how the next year's budget looks occurs. In odd-numbered years, the legislature is in session, and that complicates and delays the budgeting process. In the months of July and August, budget workshops are held to review the preliminary budget. Decisions are made on program and capital outlay requests, revenue data is fine-tuned and a final budget is submitted to the Board of Trustees for approval in August.

The budget process is a proactive and highly participatory one, and 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 (called site-based decision making) is required by the state of Texas. It is a system that works best in the long run for everyone by allocating resources where they are needed, even when those needs change.

Academic Ratings

Although not a direct indicator of a district's financial strength or operating processes, the academic ratings of a district can be connected back to its financial operations to a degree. The management and distribution of a district's financial resources toward instruction can have an effect on the district's academic rating. Financial mismanagement can lead to lower academic achievements if the funds are not targeted towards the appropriate areas.

Annual Audit Report

Each year, an audit is performed by independent auditors. Their job is to report on SISD's financial status and to ensure that Snyder ISD management is doing a good job of keeping the District's financial records up to required standards. This report is a critical element of the accountability ratings worksheet, covering six criteria. These criteria and the District's compliance with each have been discussed in this report. Further, the district has had "perfect audits" for the past twelve years, 2004 through 2015, with auditors reporting "No Reportable Conditions, No Material Weaknesses."

Disclosures

Reporting requirements for the financial management report for Schools FIRST public hearing are found in **Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System**. This rule describes requirements for the five (5) disclosures explained below that are to be presented as appendices in the Schools FIRST financial management report.

1. Superintendent's Current Employment Contract

A copy of the superintendent's current employment contract at the time of the School FIRST hearing is to be provided. In lieu of publication in the annual School FIRST financial management report, the school district may choose to publish the superintendent's employment contract on the school district's internet site. If published on the internet, the contract is to remain accessible for twelve months.

2. Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2014

	Supt	Supt	Board Members			
Description of Reimbursements	Randy Brown	Jim Kirkland	Ralph Ramon	Ronnie Anderson	Sarah Jamison	Doug Neff
term expires			May-18	May-17	May-17	May-17
Meals	\$ 428.45		\$ 144.00	\$ 144.00	\$ 144.00	\$ 144.00
Lodging	\$ 348.80		\$ 691.26	\$ 675.93	\$ 651.21	\$ 771.36
Transportation	\$ 305.92	\$ 129.38	\$ 348.48	\$ 348.48	\$ 348.48	\$ 348.48
Motor Fuel						
Other	\$ 1,633.74		\$ 375.00	\$ 375.00	\$ 375.00	\$ 375.00
Total	\$ 2,716.91	\$ 129.38	\$ 1,558.74	\$ 1,543.41	\$ 1,518.69	\$ 1,638.84
	Board Members					
Description of Reimbursements	Jim Drake	Brad Hinton	Ron Hester			
term expires	May-16	May-18	May-19			
Meals	\$ 144.00	\$ 144.00	\$ 144.00			
Lodging	\$ 514.24	\$ 489.24	\$ 731.31			
Transportation	\$ 348.48	\$ 348.48	\$ 348.48			
Motor Fuel						
Other	\$ 375.00	\$ 405.00	\$ 405.00			
Total	\$ 1,381.72	\$ 1,386.72	\$ 1,628.79	-	-	

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2014, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

Meals – Meals consumed off of the school district's premises, and in-district meals at area restaurants (excludes catered meals for board meetings).

Lodging - Hotel charges.

Transportation - Airfare, car rental (can include fuel on rental), taxis, mileage reimbursements, leased cars, parking and tolls.

Motor fuel – Gasoline.

Other - Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.

3. Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2014

NONE

4. Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2014

NONE

5. Business Transactions Between School District and Board Members for Fiscal Year 2014

	Sarah Jamison-The Auto Clinic
Summary Amounts	\$926.25

Note - The summary amounts reported under this disclosure are not to duplicate the items reported in the summary schedule of reimbursements received by board members.

6. A summary schedule of the data submitted to the Texas Education Agency for the financial solvency provisions of Texas Education Code, §39.0822.

A. Summary Schedule of Data Submitted under the Financial Solvency Provisions of TEC Section 39.0822

General Fund – First Quarter Expenditures by Object Code

Report 2014-2015 First-Quarter (first three months of fiscal year 2014-2015) General Fund expenditures by object code whole numbers.

B. Districts with a September 1-August 31 fiscal year

Payroll	Expenditures for payroll costs	Object codes 6110-6149	\$4,713,014
Contract Costs	Expenditures for services rendered by firms, individuals, and other organizations	Object code series 6200	\$841,331
Supplies and Materials	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	object code series 6300	\$ 586,331
Other Operating	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	Object code series 6400	\$ 229,639
Debt Service	Expenditures for debt service	Object code series 6500	\$ 0
Capital Outlay	Expenditures for land, buildings, and equipment	object code series 6600	\$ 13,832

Within the last two years, did the school district: Check the Answer	Yes	No
Draw funds from a short-term financing note (term less than 12 months) between the months of September and December, inclusive, and		X
For the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61?		X

C. Financial exigency disclosure:

Check the Answer	Yes	No
Has the school district declared financial exigency within the past two years?		X

D. Selected trend information.

Did the report supplemental comments or explanations for significant trends or measures involving: Check the Answer	Yes	No
Student-to-staff ratios?		X
Fund Balances in General Fund?		X
Major construction projects		X
Defaulted on any debts within past two years		X
Budget figures and projected revenues and expenditures?		X
Other?		None

E. Superintendent:

How many superintendents has your school district had in the last five years? 2

F. Business Manager:

How many business managers has your school district had in the last five years? 1