



SNYDER ISD

Annual Financial Accountability Management Report

For the Year Ending August 31, 2018

**Prepared by
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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 2017-2018 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 fourteen 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 \$30,749,107 in 2018 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. In the 2017-2018 fiscal year, Snyder ISD increased district employee salaries by 3%.

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 2018

For the Twelve-month Period Ended August 31, 2018								
Description of Reimbursements	Superintendent, Eddie Bland	Ralph Ramon	Brad Hinton	Doug Neff	Lauren Collier	Carrie Richardson	Ronnie Anderson	Steven Pena
Meals	\$ 864.48	\$ 530.98	\$ -	\$ 206.50	\$	\$ 206.50	\$ 206.50	\$
Lodging	\$ -		\$ -					
Transportation	\$ 1,735.71	\$ 215.60	\$ -	\$ 529.52	\$ 350.88	\$ 380.14	\$ 594.86	\$ 302.41
Motor Fuel	\$ -		\$ -					
Other	\$ -		\$ -					
Total	\$ 2,600.19	\$ 746.58	\$ -	\$ 736.02	\$ 350.88	\$ 586.64	\$ 801.36	\$ 302.41

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2018, 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 2018**

NONE

4. **Gifts Received by the Executive Officer(s) and Board Members (and First Degree Relatives, if any) in Fiscal Year 2018**

NONE

5. **Business Transactions Between School District and Board Members for Fiscal Year 2018**

NONE

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.

RATING YEAR

2018-2019

DISTRICT NUMBER

district #

Select An Option

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Financial Integrity Rating System of Texas

2018-2019 RATINGS BASED ON SCHOOL YEAR 2017-2018 DATA - DISTRICT STATUS DETAIL

Name: **SNYDER ISD(208902)**

Publication Level 1: 8/7/2019 3:33:27 PM

Status: **Passed**

Publication Level 2: 8/8/2019 2:06:12 PM

Rating: A = Superior

Last Updated: 8/8/2019 2:06:12 PM

District Score: **90**

Passing Score: 60

#	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>	8/6/2019 12:25:06 AM	Yes
2	Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.		
2.A	<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>	8/6/2019 12:25:06 AM	Yes
2.B	<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.)</u>	8/6/2019 12:25:07 AM	No
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>	8/6/2019 12:25:07 AM	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?</u>	8/6/2019 12:25:07 AM	Yes
5	This indicator is not being scored.		
			1 Multiplier Sum
6	<u>Was the number of days of cash on hand and current investments in the general fund for the</u>	8/6/2019	10

	<u>school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? (See ranges below.)</u>	12:25:08 AM	
7	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u>	8/6/2019 12:25:08 AM	10
8	<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 change of students in membership over 5 years was 7 percent or more, then the school district passes this indicator.) (See ranges below.)</u>	8/6/2019 12:25:09 AM	10
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?</u>	8/6/2019 12:25:09 AM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	8/6/2019 12:25:10 AM	10
11	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	8/6/2019 12:25:11 AM	10
12	<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>	8/6/2019 12:25:12 AM	10
13	<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?</u>	8/6/2019 12:25:12 AM	10
14	<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>	8/6/2019 12:25:12 AM	0
15	<u>Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?</u>	8/6/2019 12:25:13 AM	10
			90 Weighted Sum
			1 Multiplier Sum
			90 Score

DETERMINATION OF RATING

A.	Did the district answer 'No' to Indicators 1, 3, 4, or 2.A? 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. (Indicators 6-15)						
	<table border="1"> <tr> <td>A = Superior</td> <td>90-100</td> </tr> <tr> <td>B = Above Standard</td> <td>80-89</td> </tr> <tr> <td>C = Meets Standard</td> <td>60-79</td> </tr> </table>	A = Superior	90-100	B = Above Standard	80-89	C = Meets Standard	60-79
A = Superior	90-100						
B = Above Standard	80-89						
C = Meets Standard	60-79						

F = Substandard Achievement

<60

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.

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