

Galveston Independent School District
2024 Annual Financial Management Report
School Financial Integrity Rating System of Texas
“FIRST”

For the Year Ending August 31, 2023



Dr. Matthew Neighbors, Superintendent

Jeff Martello, Chief Financial Officer

December 18, 2024

**Galveston Independent School District
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Galveston Independent School District 2024 Annual Financial Management Report – School FIRST

Introduction

During the 77th regular session of the Texas legislature (2001), Senate Bill 218 was passed, and Governor Perry signed it into law shortly thereafter. 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 notification of the 2023-2024 Final School FIRST rating in November 2024. This rating is based upon analysis of school year data for the fiscal year ending August 31, 2023.

The purpose of the financial accountability rating system is to ensure that school districts will be held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes. The system also discloses the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools. An evaluation of the long-term effectiveness of the system should disclose a measurable improvement in the quality of Texas public schools' decision-making processes.

The primary reporting tool is the Financial Accountability Ratings Worksheet. This worksheet was originally 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.

This year's report includes changes made by the Commissioner's Rule for School FIRST that were implemented by the Texas Education Agency beginning with ratings year 2023-2024 based primarily on data from fiscal year 2023.

Under School FIRST, every school district in Texas is required to prepare an annual financial management report that includes the following:

- The district's financial management performance rating provided by the Texas Education Agency (TEA) based on its comparison with indicators established by the Commissioner of Education for the state's new Financial Accountability System;
- The district's financial management performance under each indicator for the current and previous years' financial accountability ratings;
- Additional information required by the Commissioner of Education (disclosures)

Starting with the 2007 calendar year, the financial management report must contain certain required disclosures, in accordance with Title 19 of the Texas Administrative Code, Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules Concerning the Financial Accountability Rating System. These disclosures are as follows:

1. A copy of the Superintendent's current employment contract (this can be satisfied by placing the contract on the district website);
2. A summary schedule for the fiscal year of total reimbursements received by the superintendent and each board member;
3. A summary schedule for the fiscal year of the dollar amount compensation and/or fees received by the Superintendent from another school district or any outside entity in exchange for professional consulting and/or other personal services;
4. A summary schedule for the fiscal year of the total dollar amount by the executive officers and board members of gifts that had an economic value of \$250 or more;
5. A summary schedule for the fiscal year of the dollar amount by board member for the aggregate amount of business transactions with the school district.

Currently, the worksheet consists of 21 Indicators: 4 of which are critical indicators.

In summary, Galveston ISD received the rating of "**A = Superior Achievement**," scoring 92 out of a possible 100 on the financial accountability worksheet. The worksheet itself follows, along with an explanation of each indicator, the indicator goal, and GISD's performance this year as compared to last year. Finally, as in accordance with Title 19, the required disclosures are included at the back of the report.

Overview of the Worksheet

Critical Indicators

Indicators 1 through 4 are considered critical indicators. The first four indicators revolve around the audit report, timely debt and payroll-related payments and the auditor's findings.

Indicator #1

Indicator: 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?

Indicator Goal: To ensure the district's financial report is filed by the deadline.

GISD Answer: Yes. Like last year, the District met this requirement. The annual financial report was received by the Texas Education Agency before the required January deadline.

Indicator #2

Indicator: Was there an unmodified opinion in the AFR on the financial statements as a whole?

Indicator Goal: To determine whether the annual financial report is free from material misstatement.

GISD Answer: Yes. Like last year, the District received an unqualified opinion in its annual financial report.

Indicator #3

Indicator: Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?

Indicator Goal: To determine if the district made its outstanding bond payments on time and to ensure it is not in default.

GISD Answer: Yes. Like last year, GISD made all required bond payments on time.

Indicator #4

Indicator: 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?

Indicator Goal: To determine if the district fulfilled its payroll-related payment obligations to these organizations.

GISD Answer: Yes. Like last year, GISD made all payroll-related payment obligations on time.

Indicator #5

Indicator: Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero?

Indicator Goal: To determine the financial solvency of the District. A positive net position demonstrates the ability to meet all financial obligations, both short-term and long-term.

GISD Answer: Yes. Not scored last year.

Indicator #6

Indicator: 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?

Indicator Goal: This indicator measures the percentage change in fund balance to see whether the fund balance is declining too quickly, and if it is declining, whether sufficient fund balance remains to operate for at least 75 days.

GISD Answer: Yes. Passed. GISD has committed \$11M to disaster recovery. The assigned and unassigned fund balance met both of these tests. Like previous year.

Indicator #7

Indicator: 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)?

Indicator Goal: This indicator measures how long in days after the end of the fiscal year the school district could have disbursed funds for its operating expenditures without receiving any new revenues. Districts must have more than 90 days to receive all 10 points, and points decrease by 2 as the number of days' decreases.

GISD Answer: Yes. Like last year, GISD earned all 10 points on this indicator.
Amount = 126.97

Indicator #8

Indicator: Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?

Indicator Goal: This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities. To earn the maximum of 10 points, current assets must be more than 3 times current liabilities, and points decrease by 2 as the ratio decreases.

GISD Answer: Current assets \$279,345,977 divided by current liabilities \$26,619,516 = 10.494; therefore, GISD earned all 10 points this year, as well as last year.

Indicator #9

Indicator: 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?

Indicator Goal: To determine if the District spent more than it earned. The school district will automatically pass this indicator if it had at least 60 days' cash on hand.

GISD Answer: 10 of 10 points both this year and last year. Like last year, GISD passed both parts of this indicator this year; Our calculations were $0.0311 \geq 0$ Or $126.9716 \geq 60$.

Indicator #10 – This Indicator is not being evaluated for FY23

Indicator #11

Indicator: Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?

Indicator Goal: This question seeks to determine the amount of long-term debt relative to total assets. Fast growth districts pass this indicator if their enrollment has increased more than 10% in 5 years. To receive all 10 points, the long-term debt (net of pension liability) cannot be >60% of total assets, and points decrease as the percentage increases.

GISD Answer: Our score was 0.7553 ≤ 1 Or -0.0767 ≥ 0.07 Or -538 $\geq 1,000$ therefore the District received 6 points on this indicator.

The Scoring Rubric is as follows:

10	8	6	4	2	0
≤ 0.60	$> 0.60 \leq 0.70$	$> 0.70 \leq 0.80$	$> 0.80 \leq 0.90$	$> 0.90 \leq 1.00$	> 1.00

Indicator #12

Indicator: What is the correlation between future debt requirements and the district's assessed property value?

Indicator Goal: To determine the District's ability to make its debt principal and interest payments due during the year. A ratio of ≤ 4 earns all 10 points.

Answer: Like last year, GISD received all 10 points. GISD's score was 2.9251

Indicator #13

Indicator: Was the school district's administrative cost ratio equal to or less than the threshold ratio?

Indicator Goal: To determine whether the district's administrative costs are in an acceptable range for its size. For GISD, a ratio of $< 10\%$ earns all 10 points, and the points decrease by 2 as the percentage increases.

GISD Answer: 6 of 10 points. GISD's administrative cost ratio is 13.31%. Last year, our ratio was 13.34%. To get to a score of 8, GISD will had to have been in $> 0.1000 \leq 0.1250$ range.

Indicator #14

Indicator: Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)?

Indicator Goal: To determine if student enrollment is declining by more than 15%, staff are also decreasing proportionately, over a 3-year period.

GISD Answer: GISD earned 10 points both this year.

Indicator #15 – This Indicator is not being evaluated for FY23

Indicator #16

Indicator: 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?

Indicator Goal: To determine whether the quality of data reported to TEA through PEIMS and in the annual financial report submission are consistent. If the variance is greater than 3%, districts fail this indicator.

GISD Answer: GISD passed this indicator.

Indicator #17

Indicator: 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 and free from substantial doubt about the school district's ability to continue as a going concern?

Indicator Goal: To determine whether the district has established and maintains effective internal control over its financial reporting.

GISD Answer: Like last year, the District passed this ceiling indicator; the annual financial report did not disclose any instances of material weaknesses in internal controls.

Indicator #18

Indicator: 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?

Indicator Goal: An audit finding of material non-compliance could indicate a risk of internal weaknesses and signal that public funds are not being properly managed.

GISD Answer: Like last year, GISD did not have any audit findings of material non-compliance and received all 10 points.

Indicator #19

Indicator: 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?

Indicator Goal: This indicator measures whether the district is complying with legal requirements related to financial transparency by posting all required information.

GISD Answer: GISD is in compliance with its required website postings and earned the maximum 5 points on this indicator this year, as well as last year.

Indicator #20

Indicator: Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?

Indicator Goal: This indicator measures whether the school board had the opportunity to consider the impact of changes in property value on the finances of the district.

GISD Answer: Like last year, GISD school board members discussed property values within 120 days of the adopted budget and passed this ceiling indicator.

Indicator #21

Indicator: Did the school district receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of a financial hardship?

Indicator Goal: The District did not over have an over-allocation of FSP funds.

GISD Answer: This is a new indicator. GISD Passed

REQUIRED DISCLOSURES

Summary Schedule of Reimbursements as of August 31, 2023

Name	Meals	Lodging	Transportation	Other	Total
Matthew Neighbors	\$ 375.18	\$ 339.35	\$ 52.66	\$ 1,556.00	\$ 2,323.19
Jerry Gibson	\$ 312.00		\$ 921.90	\$ 118.50	\$ 1,352.40
Anthony Brown			\$ 311.25		\$ 311.25
Shae Jobe					\$ -
Ann Masel					\$ -
David O'Neal	\$ 306.00	\$ 40.00	\$ 276.38	\$ 96.00	\$ 718.38
Johnny Smecca					\$ -
Mindy Lakin					\$ -
Elizabeth Beeton					\$ -

Business Transactions Between School Districts and Board Members for FY 2023

Business transactions between the District and Mr. Smecca totaled \$23,695.12 during FY 2023.

Superintendent Outside Compensation

Dr. Matthew Neighbors nor Dr. Jerry Gibson received outside compensation in FY23.

Superintendent's Contract

The Superintendent's current contract is posted on the District's website at <https://www.gisd.org/explore-gisd/superintendent>

Executive Officer and Board of Trustees Gifts

The Superintendent and Board Members did not receive any gifts that had an economic value of \$250 or more in aggregate for the twelve-month period ending August 31, 2023, from an outside entity that received payments from GISD in the prior fiscal year or from competing vendors that were not awarded contracts in the prior fiscal year.