

# Galveston Independent School District

## 2021 Annual Financial Management Report School Financial Integrity Rating System of Texas “FIRST”

For the Year Ending August 31, 2020



Dr. Jerry Gibson, Superintendent

Connie Morgenroth, Assistant Superintendent of Business and Operations

December 15, 2021

**Galveston Independent School District  
2021 Annual Financial Management Report  
School FIRST  
For the Year Ending August 31, 2020**

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**Galveston Independent School District  
2021 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 2020-2021 Final School FIRST rating on November 5, 2021. This rating is based upon analysis of school year data for the fiscal year ending August 31, 2020.

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 2020-2021 based primarily on data from fiscal year 2020.

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 20 Indicators: 5 critical indicators, 5 ceiling indicators, 9 10-point indicators, and 2 5-point indicator. Indicator #4 is both a critical and ceiling indicator. A "No" response in Indicators #1, #2, #3, or #4 will automatically result in a rating of Substandard Achievement, so these first four Indicators are of utmost importance.

In summary, Galveston ISD received the rating of "**A = Superior Achievement**", scoring 100 out of a possible 100 on the financial accountability worksheet. Compared to the previous year, indicators #6 and #11 both increased by 2 points. Indicator #15 from the previous year no longer exists. Indicators #6, #10, #15, #19, and #20 are new indicators. 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.

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

<b>Name:</b> GALVESTON ISD(084902)		<b>Publication Level 1:</b> 8/4/2021 2:00:38 PM	
<b>Status:</b> Passed		<b>Publication Level 2:</b> 8/6/2021 11:10:55 AM	
<b>Rating:</b> A = Superior Achievement		<b>Last Updated:</b> 8/6/2021 11:10:55 AM	
<b>District Score:</b> 100		<b>Passing Score:</b> 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 3:29:41 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 3:29:41 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 3:29:41 PM	Yes
4	<u>Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal</u>	7/1/2021 9:03:23 AM	Yes Ceiling Passed

	<u>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>		
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 11:06:39 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 3:29:41 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 3:29:41 PM	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? See ranges below in the Determination of Points section.</u>	6/8/2021 3:29:42 PM	10
10	<u>Did the school district average less than a 10 percent variance (90% to 110%) when</u>	7/2/2021 1:19:36 PM	10

	<u>comparing budgeted revenues to actual revenues for the last 3 fiscal years?</u>		
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 3:29:43 PM	10
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 3:29:43 PM	10
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 3:29:43 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 3:29:44 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 3:29:44 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 3:29:44 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,</u>	6/8/2021 3:29:44 PM	Ceiling Passed

	<u>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>		
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 3:29:44 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 3:29:44 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 3:29:45 PM	Ceiling Passed
			100 Weighted Sum
			1 Multiplier Sum
			(100 Ceiling)
			100 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 <b>F for Substandard Achievement</b> regardless of points earned.	
B.	Determine the rating by the applicable number of points.	
	<b>A = Superior Achievement</b>	90-100
	<b>B = Above Standard Achievement</b>	80-89
	<b>C = Meets Standard Achievement</b>	70-79
	<b>F = Substandard Achievement</b>	<70

### Overview of the Worksheet

#### Critical Indicators

Indicators 1 through 5 are considered critical indicators. Any “No” response in one of these categories is a signal indicator of fiscal distress. These 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 deadline of January 28, 2021.

#### **Indicator #2 (Indicator #2A in prior year)**

**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 governmental 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 unrestricted net position balance (net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Positions greater than zero?

**Indicator Goal:** This indicator is not being scored per TEA.

## All Other Indicators

### **Indicator #6 (New indicator)**

**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. GISD committed \$11M to disaster recovery last fiscal year, but the assigned and unassigned fund balance of \$21,549,696 met both of these tests.

### **Indicator #7 (Indicator #6 in prior year)**

**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 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. GISD earned all 10 points on this indicator which is a 2-point increase compared to the prior year; there were 127.857 days cash on hand this year and 87.8 days last year.

### **Indicator #8 (Indicator #7 in prior year)**

**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:** 4.1626; therefore, GISD earned all 10 points this year, as well as last year. Current Assets 60,052,786 / Current Liabilities 14,426,640 = 4.1626. Last year, Current Assets \$70,108,833 / Current Liabilities \$16,211,205 = 4.3247.

### 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; an increase of 2 points over last year. GISD passed both parts of this indicator this year; revenues exceeded expenditures, and the District had 127.857 days' cash on hand this year and 87.8 days' cash on hand last year.

### Indicator #10 (New indicator)

**Indicator:** 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?

**Indicator Goal:** This indicator measures how accurately the district forecast projected revenue by comparing budgeted revenue submitted through PEIMS October of the fiscal year to actual revenues submitted after close of the fiscal year.

**Answer:** GISD received all 10 points. GISD's 3-year average variance of budgeted revenues to actual revenues was 2.49%.

### Indicator #11 (Indicator #8 in prior year)

**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:** 41.59% therefore, the District received all 10 points on this indicator.  $LT\ Liabilities\ 62,192,878 / Total\ Assets\ 149,544,676 = .4159$ . GISD received 10 points with 47.86% on this indicator last year.

**Indicator #12 (Indicator #10 in prior year)**

**Indicator:** Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?

**Indicator Goal:** To determine the District's ability to make its debt principal and interest payments due during the year. A ratio of  $\leq 4$  earns all 10 points, and the points decrease by 2 as the ratio increases.

**Answer:** Like last year, GISD received all 10 points. GISD's debt service coverage ratio was .8227 this year and 2.4876 last year.

**Indicator #13 (Indicator # 11 in prior year)**

**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:** 10 of 10 points. GISD's administrative cost ratio is 9.63%. Last year, our ratio was 10.49% and we earned 8 points.

**Indicator #14 (Indicator #12 in prior year)**

**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)? (If the student enrollment did not decrease, the school district will automatically pass yes or no this indicator.)

**Indicator Goal:** To determine that 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 and last year. GISD has not experienced a significant decrease in student to staff ratio over a 3- year period.

### Indicator #15 (New indicator)

**Indicator:** 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 per pupil projections to TEA, did it certify TEA's projections?

**Indicator Goal:** This indicator measures how well the district was able to project average daily attendance for the coming biennium for payment purposes. Projected ADA is compared to actual.

**GISD Answer:** GISD's variance was .47%. This indicator allows up to a 10% variance for the ADA size of the district. GISD earned 5 points which is the maximum points on this indicator.

### Indicator #16 (Indicator #13 in prior year)

**Indicator:** Did the comparison of 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:** Like last year, GISD passed this ceiling indicator. Our variance was .00000121491% this year and 0.00006619% last year.

### Indicator #17 (Indicator #2B in prior year)

**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?

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

**GISD Answer:** Yes. Like last year, the annual financial report did not disclose any instances of material weaknesses in internal controls.

### Indicator #18 (Indicator #14 in prior year)

**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 handled.

**GISD Answer:** Like last year, GISD did not have any audit findings of material non-compliance and received all 10 points on this Yes or No indicator.

### Indicator #19 (New indicator)

**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.

### Indicator #20 (New indicator)

**Indicator:** Did the school board members discuss the district's property values 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:** GISD school board members discussed property values within 120 days of the budget adopted and passed this ceiling indicator.

## REQUIRED DISCLOSURES

### Summary Schedule of Reimbursements as of August 31, 2020

Name	Meals	Lodging	Transportation	Other	Total
Kelly Moulton	\$187.37		\$1,982.01	\$44.25	\$2,213.63
Anthony Brown			\$349.74		\$349.74
Shae Jobe	\$10.54		\$134.05		\$144.59
Ann Masel					\$0
David O'Neal	\$251.00		\$252.58		\$503.58
Johnny Smecca			\$342.20		\$342.20
Mindy Lakin					\$0
Monica Wagner					\$0

*Other includes registration fees and hotel internet services.*

### **Business Transactions Between School Districts and Board Members for FY 2020**

Business transactions between the District and Mr. Smecca totaled \$9,730.66 during FY 2020.

### **Superintendent Outside Compensation**

Superintendent, Kelli Moulton, did not receive any outside compensation or fees for Professional Consulting or other personal services for the twelve-month period ending August 31, 2020.

### **Superintendent's Contract**

The Superintendent's current contract is posted on the District's website at [www.myGISD.com](http://www.myGISD.com).

### **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, 2020 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.