

**Sweeny Independent School District
Sweeny, Texas**

**2015 Annual Financial
Management Report – Schools FIRST**

For the Year Ending August 31, 2014



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**SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHOOLS FIRST REPORT FOR 2013-14**

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Introduction

During the 77th regular session of the Texas Legislature (2001), Senate Bill 218 was passed and signed it into law shortly thereafter. This law requires every school district to prepare an annual financial accountability report. The primary goal of School FIRST is to improve the management of school districts' financial resources. The primary objective of the rating system is to assess the quality of financial management in Texas public schools. A secondary objective is to measure and report the extent of which financial resources in Texas public schools assure the maximum allocation possible for direct instructional purposes. Other objectives reflect the implementation of a rating system that fairly and equitably evaluates the quality of financial management decisions. Ratings are based on analysis of staff and student data and on budgetary and actual financial data for the fiscal year.

Many business-related issues are covered in this report. The primary reporting tool, however, is the Financial Accountability Ratings Worksheet. Representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO) developed this worksheet. It is administered by TEA and calculated on information submitted to the Agency via our PEIMS submission each year and other documentation procured by TEA. The accuracy of PEIMS data has always been critical on the student side of the submission, and this reporting requirement adds a high degree of importance to our finance submission each year.

Starting in the 2005-2006 fiscal year, the financial management report issued at the School FIRST hearing must contain certain required disclosures, in accordance with Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules concerning Financial Accountability Rating System. Those disclosures are as follows: (1) a copy of the Superintendent's current employment contract, (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 of compensation and/or fees received by the superintendent from another school district or any other 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 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 transaction with the school district.

Another change for the 2006-2007 fiscal year is one indicator was moved, three indicators were deleted, one indicator was added, and three indicators were modified. In 2009-2010 fiscal year two indicators were deleted. In 2010-11 fiscal year two more indicators were deleted (related to academic rating and fund balance requirements) and two were modified (tax collections are now

measured on a three year average instead of one and investment earnings baseline is the 3-Month Treasury Bill instead of \$20 per student).

In 2013-2014 fiscal year thirteen indicators were removed, reducing the number of indicators from 20 to 7 and reducing the total number of possible points from 70 to 30. Also, the Rating system scale was changed to either Pass or Substandard Achievement.

Sweeny ISD’s 2015 rating under School FIRST for the year ended August 31, 2014 was “Pass,” with a score of 26 of 30 or 86.7 percent. This report briefly describes data used to calculate the rating and what each indicator means.



Financial Integrity Rating System of Texas

2014-2015 RATINGS BASED ON SCHOOL YEAR 2013-2014 DATA - DISTRICT STATUS DETAIL

Name: SWEENY ISD(020906)		Publication Level 1: 8/20/2015 11:24:40 AM	
Status: Passed		Publication Level 2: 8/20/2015 11:24:40 AM	
Rating: Pass		Last Updated: 8/20/2015 11:24:40 AM	
District Score: 26		Passing Score: 16	
#	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>	4/6/2015 2:28:57 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>	4/6/2015 2:28:57 PM	Yes

3	<p><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></p>	4/6/2015 2:28:57 PM	Yes
4	<p><u>Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)</u></p>	7/30/2015 12:12:21 PM	Yes
			1 Multiplier Sum
5	<p><u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u></p>	7/15/2015 11:45:48 AM	6
6	<p><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></p>	8/17/2015 5:41:50 PM	10
7	<p><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></p>	4/6/2015 2:28:59 PM	10

state, or federal funds? (The AICPA defines material weakness.)

	26 Weighted Sum
	1 Multiplier Sum
	26 Score

DETERMINATION OF RATING

A. Did The District Answer 'No' To Indicators 1, 2, 3, Or 4? If So, The District's Rating Is **Substandard Achievement**.

B. Determine Rating By Applicable Range For Summation of the Indicator Scores (Indicators 5-7)

Pass

16-30

Substandard Achievement

<16

Overview of the Worksheet

Indicator # 1 – 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?

School districts with a fiscal year end of August 31st must legally submit their annual audit report to TEA via the TEASE website portal within 30 calendar days of the January 28th deadline.

Sweeny ISD’s annual audit report was successfully submitted through TEASE within the time allotted.

Indicator # 2 – 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.)

This indicator simply asks, “Did the district’s external auditors find a material weakness or misstatement in the financial accounting statements or procedures.

Sweeny ISD’s external auditors issued an unmodified opinion, meaning we had a clean audit.

Indicator # 3 – 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.)

This indicator seeks to make certain that the District has paid its bills/obligations on debt obligations issued to pay for school construction and the like.

Sweeny ISD has had no instances of default on bonded indebtedness obligations.

Indicator # 4 – Was the total unrestricted net asset balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Assets greater than zero? (If the school district’s change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)

This indicator simply asks, “Did the district’s total assets exceed the total amount of liabilities (according to the very first financial statement in the annual audit report)?

Sweeny ISD’s district’s total assets exceeded the total amount of liabilities.

Indicator # 5 – Was the school district’s administrative cost ratio equal to or less than the threshold ratio?

TEA and state law sets a cap on the percentage of their budget that Texas school districts can spend on administration based on district size. For districts in Sweeny’s ISD category, the administrative cost ratio should fall below 11.51 percent. Sweeny’s ratio for the 2013-2014 school year was 14.05 percent, or 2.54 percent above the state cap.

Indicator # 6 – 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?

This indicator measures the quality of data reported to TEA through the Public Education Information Management System (PEIMS) and in the Annual Financial Report to make certain that the data reported in each case “matches up”. If the difference in numbers reported in any fund type is more than 3 percent, the district “fails” this measure.

Sweeny ISD’s data quality measure fell well below the allowable 3 percent variation.

Indicator # 7 – 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.)

A clean audit of the Annual Financial Report would state that there are no material weaknesses in internal controls. Any internal weaknesses create a risk of not being able to properly account for the use of public funds, and should be immediately addressed.

Sweeny ISD had no internal weaknesses.



Financial Integrity Rating System of Texas

OVERALL STATISTICS
2013-2014 STATUS COUNTS

Status	Count	% Total	Enrollment	% Total Enrollment
Passed	1,012	98.83 %	4,905,013	99.44 %
Failed	12	1.17 %	27,844	0.56 %
Total	1,024	100.00 %	4,932,857	100.00 %

2013-2014 RATING COUNTS

Ratings	Count	% Total	Enrollment	% Total Enrollment
Pass	1,012	98.83 %	4,905,013	99.44 %
Substandard Achievement	12	1.17 %	27,844	0.56 %
Total	1,024	100.00 %	4,932,857	100.00 %

2013-2014 ALL RESULTS BY INDICATOR

Indicator	Result	Count	% of Districts	Enrollment	% Total Enrollment
1	Yes	1021	99.71 %	4931140	99.97 %
	No	3	0.29 %	1717	0.03 %
2	Yes	1022	99.80 %	4912880	99.60 %
	No	2	0.20 %	19977	0.40 %
3	Yes	1024	100.00 %	4932857	100.00 %
	No	0	0.00 %	0	0.00 %

4	Yes	1022	99.80 %	4932572	99.99 %
	No	2	0.20 %	285	0.01 %
5	10	847	82.71 %	4512004	91.47 %
	8	116	11.33 %	329457	6.68 %
	6	34	3.32 %	69092	1.40 %
	4	11	1.07 %	16051	0.33 %
	2	5	0.49 %	3764	0.08 %
	0	11	1.07 %	2489	0.05 %
6	10	1009	98.54 %	4896496	99.26 %
	0	15	1.46 %	36361	0.74 %
7	10	999	97.56 %	4871836	98.76 %
	0	25	2.44 %	61021	1.24 %

2013-2014 ANSWERS BY INDICATOR

Indicator	Yes	No	10	8	6	4	2	0	Total
1	1021	3	x	x	x	x	x	x	1024
2	1022	2	x	x	x	x	x	x	1024
3	1024	x	x	x	x	x	x	x	1024
4	1022	2	x	x	x	x	x	x	1024
5	x	x	847	116	34	11	5	11	1024
6	x	x	1009	x	x	x	x	15	1024

7

x

x

999

x

x

x

x

25

1024

Last Updated: Saturday, September 26, 2015 10:08:09 AM