

**Sweeny Independent School District
Sweeny, Texas**

**2013 Annual Financial
Management Report – Schools FIRST**

For the Year Ending August 31, 2012



Randy Miksch, Superintendent of Schools

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**SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHOOLS FIRST REPORT FOR 2011-12**

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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).

Sweeny ISD's 2013 rating under School FIRST for the year ended August 31, 2012 was "Superior Achievement," with a score of 66 of 70 or 94.2 percent. This report briefly describes data used to calculate the rating and what each indicator means.



Financial Integrity Rating System of Texas

2011-2012 DISTRICT STATUS DETAIL

Name: SWEENEY ISD(020906)		Publication Level 1: 6/21/2013 3:05:18 PM	
Status: Passed		Publication Level 2: 9/12/2013 6:29:59 PM	
Rating: Superior Achievement		Last Updated: 9/12/2013 6:29:59 PM	
District Score: 66		Passing Score: 52	
#	Indicator Description	Updated	Score
1	<u>Was The Total Fund Balance Less Nonspendable and Restricted Fund Balance Greater Than Zero In The General Fund?</u>	4/26/2013 4:30:35 PM	Yes
2	<u>Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)</u>	4/26/2013 4:30:36 PM	Yes
3	<u>Were There No Disclosures In The Annual Financial Report And/Or Other Sources Of Information Concerning Default On Bonded Indebtedness Obligations?</u>	4/26/2013 4:30:36 PM	Yes
4	<u>Was The Annual Financial Report Filed Within One Month After November 27th or January 28th Deadline Depending Upon The District's Fiscal Year End Date (June 30th or August 31st)?</u>	4/26/2013 4:30:36 PM	Yes
5	<u>Was There An Unqualified Opinion in Annual Financial Report?</u>	4/26/2013 4:30:36 PM	Yes
6	<u>Did The Annual Financial Report Not Disclose Any</u>	4/26/2013	Yes

	<u>Instance(s) Of Material Weaknesses In Internal Controls?</u>	4:30:37 PM	
			1 Multiplier Sum
7	<u>Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?</u>	4/26/2013 4:30:37 PM	5
8	<u>Did The Comparison Of PEIMS Data To Like Information In Annual Financial Report Result In An Aggregate Variance Of Less Than 3 Percent Of Expenditures Per Fund Type (Data Quality Measure)?</u>	4/26/2013 4:30:37 PM	5
9	<u>Were Debt Related Expenditures (Net Of IFA And/Or EDA Allotment) < \$350.00 Per Student? (If The District's Five-Year Percent Change In Students = Or > 7%, Or If Property Taxes Collected Per Penny Of Tax Effort > \$200,000 Per Student)</u>	4/26/2013 4:30:38 PM	1
10	<u>Was There No Disclosure In The Annual Audit Report Of Material Noncompliance?</u>	4/26/2013 4:30:38 PM	5
11	<u>Did The District Have Full Accreditation Status In Relation To Financial Management Practices? (e.g. No Conservator Or Monitor Assigned)</u>	4/26/2013 4:30:38 PM	5
12	<u>Was The Aggregate Of Budgeted Expenditures And Other Uses Less Than The Aggregate Of Total Revenues, Other Resources and Fund Balance In General Fund?</u>	4/26/2013 4:30:39 PM	5
13	<u>If The District's Aggregate Fund Balance In The General Fund And Capital Projects Fund Was Less Than Zero, Were Construction Projects Adequately Financed? (To Avoid Creating Or Adding To The Fund Balance Deficit Situation)</u>	4/26/2013 4:30:39 PM	5
14	<u>Was The Ratio Of Cash And Investments To Deferred Revenues (Excluding Amount Equal To Net Delinquent Taxes Receivable) In The General Fund Greater Than Or</u>	4/26/2013 4:30:39 PM	5

	<u>Equal To 1:1? (If Deferred Revenues Are Less Than Net Delinquent Taxes Receivable)</u>		
15	<u>Was The Administrative Cost Ratio Less Than The Threshold Ratio?</u>	4/26/2013 4:30:39 PM	5
16	<u>Was The Ratio Of Students To Teachers Within the Ranges Shown Below According To District Size?</u>	4/26/2013 4:30:40 PM	5
17	<u>Was The Ratio Of Students To Total Staff Within the Ranges Shown Below According To District Size?</u>	4/26/2013 4:30:40 PM	5
18	<u>Was The Decrease In Undesignated Unreserved Fund Balance < 20% Over Two Fiscal Years?(If Total Revenues > Operating Expenditures In The General Fund,Then District Receives 5 Points)</u>	4/26/2013 4:30:40 PM	5
19	<u>Was The Aggregate Total Of Cash And Investments In The General Fund More Than \$0?</u>	4/26/2013 4:30:41 PM	5
20	<u>Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?</u>	4/26/2013 4:30:41 PM	5
			66 Weighted Sum
			1 Multiplier Sum
			66 Score

DETERMINATION OF RATING

- A.** Did The District Answer 'No' To Indicators 1, 2, 3 Or 4? **OR** Did The District Answer 'No' To Both 5 and 6? If So, The District's Rating Is **Substandard Achievement**.

B. Determine Rating By Applicable Range For summation of the indicator scores (Indicators 7-20)

Superior Achievement	64-70
Above Standard Achievement	58-63
Standard Achievement	52-57
Substandard Achievement	<52

INDICATOR 16 & 17 RATIOS

Indicator 16	Ranges for Ratios		Indicator 17	Ranges for Ratios	
	Low	High		Low	High
District Size - Number of Students Between			District Size - Number of Students Between		
< 500	7	22	< 500	5	14
500-999	10	22	500-999	5.8	14
1000-4999	11.5	22	1000-4999	6.3	14
5000-9999	13	22	5000-9999	6.8	14
=> 10000	13.5	22	=> 10000	7.0	14

RATING

SUPERIOR ACHIEVEMENT

Overview of the Worksheet

Indicator # 1 – Was total Fund Balance less Reserved Fund Balance greater than zero in the General Fund?

School districts must legally have a fund balance to ensure adequate funding for operations. This indicator is designed to ensure that our district has a positive amount of fund balance that is not designated or “reserved” for a special purpose. In other words, “Does our district have funds set aside for a rainy day?”

Sweeny ISD’s fund balance in the General Fund after reduction for reserves at August 31, 2012 was \$6,834,988.

Indicator # 2 – Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest for Capital Appreciation Bonds) in the Governmental Activities Column in the Statement of Net Assets Greater than Zero?

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 # 3 – Were there No disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?

This indicator seeks to make certain that the District has paid its bills/obligations on bonds issued to pay for school construction, etc.

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

Indicator # 4 – Was the Annual Financial Report filed within one month after the November 27 or January 28 deadline depending on the district’s fiscal year end date (June 30 or August 31)?

Our Annual Financial Report for the fiscal year ended August 31, 2012 was filed with the Texas Education Agency before the deadline date in February 2013.

Indicator # 5 – Was there an Unqualified Opinion in the Annual Financial Report?

The opinion expressed by our independent auditor on the August 31, 2012 Annual Financial Report was unqualified which means it is a clean audit. A “qualification” on our financial report would have meant that corrections were needed in reporting of financial controls.

Indicator # 6 – Did the Annual Financial Report Not disclose any instance(s) of material weaknesses in internal controls?

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.

Indicator # 7 – Was The Three-Year Average Percent Of Total Tax Collections (Including Delinquent) Greater Than 98%?

This indicator measures a district's success in collecting the taxes owed by the community's businesses and homeowners, placing a 98 percent minimum collections standard. The District must over a three year average collect 98 percent or more of taxes, *including* any delinquent taxes owed from past years.

Sweeny ISD has surpassed the required percentage this past year. The collection percentage was 99.99 percent.

Indicator # 8 – Did the comparisons of PEIMS data to like information in the Annual Financial Report result in an aggregate variance of less than 3 percent of expenditures per fund type (Data Quality Measure)?

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, to 0.00018 percent.

Indicator # 9 – Were Debt-Related Expenditures (net of IFA and/or EDA allotment) less than \$350 per student? (If the district's five-year percent change in students was a 7 percent increase or more, or if property taxes collected per penny of tax effort were more than \$200,000 per student.)

This indicator show the Legislature's intent for school districts to focus spending money on education, by limiting the amount of money districts can spend on debt (to construct buildings, etc.) to \$350 per student.

Sweeny ISD received one point because our debt-related expenditures are \$1,327 per student. As I&S tax collections are not subject to recapture, property wealthy districts are able to pay debt back quicker than other districts, while maintaining a low tax rate. This rapid payback increases the cost per student even though long-term savings are generated through a reduction in interest costs. As with any standardized measurement, not all situations can be taken into consideration. Bottom line, we pay our debt too fast.

Indicator # 10 – Was there No disclosure in the Annual Audit Report of Material Noncompliance?

NO disclosure means the Annual Audit Report included no disclosure indicating that the school district failed to comply with laws, rules and regulations for a government entity. Our Annual Audit Report for the year ended August 31, 2012 had no such disclosure.

Indicator # 11 – Did the district have full accreditation status in relation to financial management practices?

Sweeny ISD has full accreditation status.

Indicator # 12 – Was the Aggregate of Budgeted Expenditures and Other Uses less than the aggregate of Total Revenues, Other Resources and Fund Balance in the General Fund?

If a district's total expenditures and other uses for the fiscal year exceeded its total funds available, the district would receive a negative rating on this measure. A negative rating would indicate that the District had overspent its budget.

Sweeny's aggregated budget total revenues, other resources and fund balance exceeded expenditures and other uses by \$3,966,922 in the General Fund.

Indicator # 13 – If the district's Aggregate Fund Balance in the General Fund and Capital Projects Fund was less than zero, were construction projects adequately financed? (Were construction projects adequately financed or adjusted by change orders or other legal means to avoid creating or adding to the fund balance deficit situation?)

This indicator measures the District's ability to construct facilities without damaging our Fund Balance. As of August 31, 2012, the aggregate fund balance in the General Fund and Capital Projects Fund totaled \$5,636,612.

Indicator # 14 – Was the ratio of Cash and Investments to Deferred Revenues (excluding amount equal to net Delinquent Taxes Receivable) in the General Fund greater than or equal to 1:1? (If Deferred Revenues are less than Delinquent Taxes Receivable, then answer this indicator YES.)

This indicator measures whether or not the District has sufficient cash and investments to balance Fund Balance Monies such as TEA overpayments (deferred Revenues). In other words, the District should have fund balance monies of its own that are at least equal to those dollars that are there due to overpayments from TEA, and should not be spending "next year's" monies this year.

For the year ended August 31, 2012 the District had cash in the General Fund of \$7,617,173, deferred revenues of \$128,966 and property tax receivable of \$166,415.

Indicator # 15 – Was the Administrative Cost Ratio less than the standard in State Law?

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 14.01 percent. Sweeny's ratio for the 2011-2012 school year was 12.79 percent, or 1.22 percent below the state cap.

Indicator # 16 – Was the Ratio of Students to Teachers within the ranges shown below according to district size?

This indicator measures our pupil-teacher ratio to ensure that it is within TEA recommended ranges for districts of our student population range. For example, districts like Sweeny, with a student population between 1,000 and 4,999 should have no more than 22 students per teacher and no fewer than 11.5 students per teacher. For the 2011-2012 school year Sweeny had 16.5353 students per teacher which is up from 15.2708 from prior year but still within range to receive 5 points.

Indicator # 17 – Was the Ratio of Students to Total Staff within the range shown below according to district size?

This indicator measures our pupil-staff ratio to ensure that it is within TEA-recommended ranges for districts of our student population range. For this indicator, districts of Sweeny's size, with a student population between 1,000 and 4,999 should have no more than 14 students per staff member and no fewer than 6 students per district employee. For the 2011-2012 school year Sweeny had 7.6564 students per District employee.

Indicator # 18 – Was the decrease in Undesignated Unreserved Fund Balance less than 20 percent over two Fiscal Years? (If 1.5 times Optimum Fund balance in General Fund or if Total Revenues exceeded Operating Expenditures in the General Fund.)

This indicator attempts to identify districts that are utilizing fund balance to pay for salaries or other district operating expenses. Rapid decreases in Undesignated Fund Balance (those dollars not designated for construction or other purposes) could indicate a district is borrowing to pay for recurring cost that will continue to deplete the district's reserve. Total revenues have not exceeded operating expenditures (Functions 11-61). Total Revenues in General Fund are \$17,087,753 and Expenditures in General Fund (Functions 11-61) are \$13,195,099. Recapture expenditure was not included in the calculation.

Indicator # 19 – Was the Aggregate Total of Cash and Investments in the General Fund more than \$0?

This indicator simply verifies that we have funds in the bank and/or investments. At August 31, 2012, the District had General Fund cash and investments totaling \$7,617,173.

Indicator # 20 – Were Investment Earnings In All Funds (Excluding Debt Service Fund and Capital Projects Fund) Meet or Exceed the 3-Month Treasury Bill Rate?

Verifying that investments earnings were more than the 3-Month Treasury Bill rate indicates that the District is investing its funds wisely. For the year ended August 31, 2012, the District's investment earnings were .6502% which exceeded the required return.

OVERALL STATISTICS
2011-2012 STATUS COUNTS

Status	Count	% Total	Enrollment	% Total Enrollment
Passed	1,015	98.64 %	4,806,432	99.64 %
Failed	14	1.36 %	17,410	0.36 %
Total	1,029	100.00 %	4,823,842	100.00 %

2011-2012 RATING COUNTS

Ratings	Count	% Total	Enrollment	% Total Enrollment
Superior Achievement	909	88.34 %	4,627,929	95.94 %
Above Standard Achievement	87	8.45 %	163,708	3.39 %
Standard Achievement	19	1.85 %	14,795	0.31 %
Substandard Achievement	14	1.36 %	17,410	0.36 %
Total	1,029	100.00 %	4,823,842	100.00 %

2011-2012 ALL RESULTS BY INDICATOR

Indicator	Result	Count	% of Districts	Enrollment	% Total Enrollment
1	Yes	1025	99.61 %	4814620	99.81 %
	No	4	0.39 %	9222	0.19 %
2	Yes	1026	99.71 %	4822753	99.98 %
	No	3	0.29 %	1089	0.02 %
3	Yes	1029	100.00 %	4823842	100.00 %
	No	0	0.00 %	0	0.00 %
4	Yes	1024	99.51 %	4816884	99.86 %
	No	5	0.49 %	7558	0.16 %

	No	5	0.49 %	6958	0.14 %
5	Yes	1028	99.90 %	4823795	100.00 %
	No	1	0.10 %	47	0.00 %
6	Yes	998	96.99 %	4620562	95.79 %
	No	31	3.01 %	203280	4.21 %
7	5	889	86.39 %	4550561	94.33 %
	4	122	11.86 %	242225	5.02 %
	3	14	1.36 %	14922	0.31 %
	2	2	0.19 %	8231	0.17 %
	1	1	0.10 %	7685	0.16 %
	0	1	0.10 %	218	0.00 %
8	5	1017	98.83 %	4816403	99.85 %
	0	12	1.17 %	7439	0.15 %
9	5	620	60.25 %	4223772	87.56 %
	4	136	13.22 %	209474	4.34 %
	3	90	8.75 %	144745	3.00 %
	2	66	6.41 %	118040	2.45 %
	1	40	3.89 %	66531	1.38 %
	0	77	7.48 %	61280	1.27 %
10	5	995	96.70 %	4606277	95.49 %

	0	34	3.30 %	217565	4.51 %
11	5	1025	99.61 %	4802931	99.57 %
	0	4	0.39 %	20911	0.43 %
12	5	1021	99.22 %	4728298	98.02 %
	0	8	0.78 %	95544	1.98 %
13	5	1029	100.00 %	4823842	100.00 %
14	5	1027	99.81 %	4815397	99.82 %
	0	2	0.19 %	8445	0.18 %
15	5	954	92.71 %	4733912	98.14 %
	0	75	7.29 %	89930	1.86 %
16	5	985	95.72 %	4786815	99.23 %
	4	22	2.14 %	30941	0.64 %
	3	4	0.39 %	2150	0.04 %
	2	6	0.58 %	2590	0.05 %
	1	4	0.39 %	282	0.01 %
	0	8	0.78 %	1064	0.02 %
17	5	819	79.59 %	4464070	92.54 %
	4	82	7.97 %	260156	5.39 %
	3	53	5.15 %	61137	1.27 %
	2	23	2.24 %	13996	0.29 %

	1	20	1.94 %	17329	0.36 %
	0	32	3.11 %	7154	0.15 %
18	5	1007	97.86 %	4698779	97.41 %
	3	1	0.10 %	1076	0.02 %
	0	21	2.04 %	123987	2.57 %
19	5	1025	99.61 %	4822363	99.97 %
	0	4	0.39 %	1479	0.03 %
20	5	1008	97.96 %	4791992	99.34 %
	0	21	2.04 %	31850	0.66 %

2011-2012 ANSWERS BY INDICATOR

Indicator	Yes	No	5	4	3	2	1	0	Total
1	1025	4	x	x	x	x	x	x	1029
2	1026	3	x	x	x	x	x	x	1029
3	1029	x	x	x	x	x	x	x	1029
4	1024	5	x	x	x	x	x	x	1029
5	1028	1	x	x	x	x	x	x	1029
6	998	31	x	x	x	x	x	x	1029
7	x	x	889	122	14	2	1	1	1029
8	x	x	1017	x	x	x	x	12	1029
9	x	x	620	136	90	66	40	77	1029

10	x	x	995	x	x	x	x	34	1029
11	x	x	1025	x	x	x	x	4	1029
12	x	x	1021	x	x	x	x	8	1029
13	x	x	1029	x	x	x	x	x	1029
14	x	x	1027	x	x	x	x	2	1029
15	x	x	954	x	x	x	x	75	1029
16	x	x	985	22	4	6	4	8	1029
17	x	x	819	82	53	23	20	32	1029
18	x	x	1007	x	1	x	x	21	1029
19	x	x	1025	x	x	x	x	4	1029
20	x	x	1008	x	x	x	x	21	1029