



Public Hearing on School FIRST Financial Accountability Rating System

Tuesday, October 10, 2023



How Ratings Are Assessed

20 questions that a school district must address to assess its financial management system.

Sweet Home Independent School District
2022-2023 School FIRST Rating
Financial Integrity Rating System of Texas
Based on School Year 2021-2022 Data

The 2022-2023 FIRST Rating for Sweet Home Independent School District is **“Superior”**
96 out of Possible 100 Points

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 accountability report of the district's final rating, which is included in this report and reflects a rating of “*Superior*”.

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 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.

The worksheet consists of 20 criteria, each weighted on a point system with the exception of the Critical Indicators. A “No” response in criteria #1, #2, #3, or #4 together automatically result in a rating of Substandard Achievement, so these first four criteria are of utmost importance.

Currently, SHISD has a rating of “Superior”, scoring 96 points out of a possible 100 points on the financial accountability worksheet. The worksheet itself and a discussion of its salient points follow.



Financial Integrity Rating System of Texas

2022-2023 RATINGS BASED ON SCHOOL YEAR 2021-2022 DATA - DISTRICT STATUS DETAIL

Name: SWEET HOME ISD(143905)	Publication Level 1: 8/4/2023 12:02:16 PM
Status: Passed	Publication Level 2: 8/7/2023 3:01:39 PM
Rating: A = Superior Achievement	Last Updated: 8/7/2023 3:01:39 PM
District Score: 96	Passing Score: 70

#	Indicator Description	Updated	Score
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?	7/13/2023 6:19:23 PM	Yes
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.)	7/13/2023 6:19:23 PM	Yes
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.)	7/13/2023 6:19:23 PM	Yes
4	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? (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.)	7/13/2023 6:19:23 PM	Yes Ceiling Passed
5	This indicator is not being evaluated.		
6	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.)	7/14/2023 12:04:06 PM	Ceiling Passed
7	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.	7/13/2023 6:19:23 PM	6
8	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.	7/13/2023 6:19:23 PM	10
9	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.	7/13/2023 6:19:23 PM	10
10	This indicator is not being evaluated.		10
11	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 or 1,000 or more students in membership, then the school district passes this indicator.)	7/13/2023 6:19:23 PM	10
12	What is the correlation between future debt requirements and the district's assessed property value?	7/13/2023 6:19:23 PM	10
13	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.	7/13/2023 6:19:23 PM	10
14	This indicator is not being evaluated.		10
15	This indicator is not being evaluated.		5

16	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.)	7/13/2023 6:19:23 PM	Ceiling Passed
17	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? (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.)	7/13/2023 6:19:23 PM	Ceiling Passed
18	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.)	7/13/2023 6:19:23 PM	10
19	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?	7/13/2023 6:19:23 PM	5
20	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?	7/13/2023 6:19:23 PM	Ceiling Passed
			96 Weighted Sum
			1 Multiplier Sum
			(100 Ceiling)

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 F for Substandard Achievement regardless of points earned.		
B.	Determine the rating by the applicable number of points.		
	A = Superior Achievement	90-100	
	B = Above Standard Achievement	80-89	
	C = Meets Standard Achievement	70-79	
	F = Substandard Achievement	<70	
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.			
The school district receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, or 4, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis.			

CEILING INDICATORS

Did the school district meet the criteria for any of the following ceiling indicators 4, 6, 16, 17, or 20? If so, the school district's applicable maximum points and rating are disclosed below. Please note, an F = Substandard Achievement Rating supersedes any rating earned as the result of the school district meeting the criteria of a ceiling indicator.		
Determination of rating based on meeting ceiling criteria.	Maximum Points	Maximum Rating
Indicator 4 (Timely Payments) - School district was issued a warrant hold.	95	A = Superior Achievement
Indicator 6 (Average Change in Fund Balance) - Response to indicator is No.	89	B = Above Standard Achievement
Indicator 16 (PEIMS to AFR) - Response to indicator is No.	89	B = Above Standard Achievement
Indicator 17 (Material Weaknesses) - Response to indicator is No.	79	C = Meets Standard Achievement
Indicator 20 (Property Values and Tax Discussion) - Response to indicator is No.	89	B = Above Standard Achievement

FIRST Question	2021-2022 Score *Based on 2020-2021 Data	2022-2023 Score *Based on 2021-2022 Data
1. Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the 11/27 or 1/28 deadline depending on the school district's fiscal year end date of 6/30 or 8/31, respectively?	Yes	Yes
2. Review the AFT for an unmodified opinion and material weaknesses.	Yes	Yes
3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?	Yes	Yes
4. 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?	Yes – Ceiling Passed	Yes – Ceiling Passed
5. 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?	*Not Scored	<i>*Not Scored this year due to the impact of accounting changes implemented by the Governmental Accounting Standards Board.</i>
6. Was the average change in fund balance over 3 years less than a 25% decrease or did the current year assigned and unassigned fund balance exceed 75 days of operational expenditures?	Ceiling Passed	Ceiling Passed
7. 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)?	0	6
8. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	10	10
9. Did the school district's general fund revenues equal or exceed expenditures? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?	10	10
10. Did the school district average less than a 10% variance when comparing budgeted revenues to actual revenues for the last 3 fiscal years?	10 *Not scored	10 <i>*Not Evaluated due to the impact of COVID-19 and federal ESSER funding on school district revenue.</i>
11. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?	10	10
12. What is the correlation between future debt requirements and the district's assessed property value?	10	10
13. Was the school district's administrative cost ratio equal to or less than the threshold ratio?	10	10
14. Did the school district not have a 15% decline in the students to staff ratio over 3 years (total enrollment to total staff)?	10	10 <i>*Not Evaluated</i>
15. Was the school district's ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA?	5 *Not scored	5 <i>*Not Evaluated due to the impact of COVID-19 on school district attendance.</i>
16. 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% of all expenditures by function?	Ceiling Passed	Ceiling Passed
17. 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, federal funds?	Ceiling Passed	Ceiling Passed
18. Did the external independent auditor indicate the AFR was free of any instances(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	10	10
19. Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, TEC, TAC, and other statutes, laws, and rules that were in effect at the school district's fiscal year end?	5	5
20. Did the school board members discuss the district's property values at a board meeting within 120 days before the district adopted its budget?	Ceiling Passed	Ceiling Passed
TOTAL SCORE	90 = A Superior Achievement	96 = A Superior Achievement



Disclosure #1

Superintendent's Employment Contract – will be published on the SHISD website for 12 months

[illegible]



Disclosure #3

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2022

Name of Entity(ies)	
Total	\$0.00

[illegible]



Disclosure #5

Business Transactions Between School District and Board Members for Fiscal Year 2022

	Robin Boswell	Lolly Mican	Ray Peagler	Amy Picha	Jeff Points	Johnny Turk	Nathan Wenske
Summary Amounts	\$0.00	\$0.00	\$0.00	\$0.00	\$950.00	\$0.00	\$20,856.21



Disclosure #6

Any other information the board of trustees of the school district determines to be useful.