

# ***SUPERIOR RATING!!!***



*Sherman  
Independent School District*

## Financial Integrity Rating System of Texas 2015-16 Ratings

Based on data from the 2014-15 school year.

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PUBLIC HEARING AND REPORT PROVIDED TO SISD BOARD OF  
TRUSTEES ON NOVEMBER 14, 2016



# Financial Integrity Rating System of Texas

## *Sherman ISD Received “SUPERIOR” Rating*

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The state's school financial accountability rating system, known as the School Financial Integrity Rating System of Texas (FIRST), ensures that Texas public schools are held accountable for the quality of their financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes.



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**First 6 questions must be answered with a YES:**

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? **11/18/2015**
2. Was there an unmodified opinion in the AFR on the financial statements as a whole? **YES** – The auditor expressed an opinion that financial statements were presented, in all material respects, in accordance with applicable financial reporting framework.



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**First 6 questions must be answered with a YES:**

2. 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?  
**YES** – There was no Material Weakness in SISD’s Internal Controls.
3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? **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**



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**First 6 questions must be answered with a YES:**

5. Was the total unrestricted net asset balance in the governmental activities column in the Statement of Net Assets greater than zero?

**YES – SISD passed on the following formula:**

Total Unrestricted Net Asset Balance = -918,474

+ Accrual of Interest for Capital Appreciation Bonds of 9,187,801

+ Pension Expense of 721,025 (SISD paid to TRS)

+ Net Pension Liability of 7,800,579 (Retirement \$ - SISD does not pay)

**Sum all figures to equal a number greater than 0 to pass (16,790,931).**



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6. 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)?

**Yes at 69 days = 6 out of 10 points**

- This indicator measures how long in days after the end of the fiscal year the District could have disbursed funds for its operating expenditures without receiving any new revenues.

**Formula:** (Cash and Equivalents of 3,453,786 Plus Current Investments of 6,867,633)  
Divided by (Total Expenditures of 55,363,521 Minus Facilities Acquisition and Construction of 331,715) Multiplied by 365 Equals ~69 (6 out of 10 Points)



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

**YES with a 2.24 ratio = 6 out of 10 points**

- This indicator measures whether the school district had sufficient short-term assets to pay off its short-term liabilities.

**Formula:**

Current Assets of 27,588,452

Divided by Current Liabilities of 12,309,749

Equals 2.2412 (6 out of 10 points)



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

**.68 ratio = 8 out of 10 points**

- This indicator measures whether the school district had sufficient assets to cover its long-term liabilities.

### **Formula:**

Long Term Liabilities of 95,158,735

Minus Net Pension Liability of 7,800,579

Divided by Total Assets of 128,779,389

Equals 0.6812 (8 out of 10 points)





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9. Did the school district’s general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)?

**YES (10 out of 10 Points)**

- This indicator simply asks “did you earn more than you spent?”



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10. Was the debt service coverage ratio sufficient to meet the required debt service?

**YES (10 out of 10 Points)**

**Formula:** Sum Total Revenues of 67,702,824, Minus Total Expenditures of 67,120,990, Plus Debt Service of 11,757,469, Plus Debt Service Fund Balance of 6,074,693, Plus Facilities Improvement of 331,715 and then Divide by Debt Service of 11,757,469 to equal 1.5944 (10 out of 10 points)

- This indicator measures whether the school district has the ability to make debt principal and interest payments that will come due during the year. Does the district have sufficient short-term assets to pay off its short-term liabilities?



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

**YES with a .0723 ratio = 10 out of 10 points**

- This indicator measures the percentage of the budget the District spent on administration versus State ranges.



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12. 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.)

**YES – Student Enrollment did not decrease. (10 out of 10 points)**

**Formula:**

2012-2013 Total Enrollment 6,916

2014-2015 Total Enrollment 7,163 (increase)



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13. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district’s Annual Financial Report (AFR) result in a total variance of less than 3 percent of all expenditures by function?

**No – PEIMS Varied from AFR by 3%**

**Formula:**

Sum of Differences 3,278,474

Divided by Denominator 52,085,131

Less Than Acceptable Level of Variance, Which Equaled 3%.

**We’re currently analyzing to determine reason for variance.**



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14. 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.)

**YES (10 out of 10 Points)**

15. Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?

**YES – No Adjusted Repayment Schedule (10 out of 10 Points)**



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### Additional Items to Report:

- Superintendent of Schools Contract Posted:
  - <http://www.shermanisd.net/departments.cfm?subpage=1160736>



# Required Supplemental Disclosures

For the Twelve-month Period Ended June 30, 2015

Description of Reimbursements	Superintendent	Lynn Mitchusson	Tim Millerick	Juston Dobbs	Kiki Osterman	Brad Morgan	Kate Whitfield	Rob Wilson
Meals	\$106.18	\$75.00	\$75.00	\$75.00	\$150.00	\$75.00	\$75.00	\$75.00
Lodging	\$1,160.13	\$548.22	\$548.22	\$548.22	\$1,122.06	\$618.03	\$618.03	\$618.03
Transportation	\$1,796.43	\$401.00	\$401.00	\$401.00	\$248.50	\$181.50	\$181.50	\$181.50
Motor Fuel								
Other		\$375.00	\$575.00	\$375.00	\$375.00	\$375.00	\$375.00	\$375.00
Total	\$3,062.74	\$1,399.22	\$1,599.22	\$1,399.22	\$1,895.56	\$1,249.53	\$1,249.53	\$1,249.53

## Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2015

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2015, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order. Reimbursements to be reported per category include:

- Meals – Meals consumed off of the school district’s premises, and in-district meals at area restaurants (excludes catered meals for board meetings).
- Lodging - Hotel charges.
- Transportation - Airfare, car rental (can include fuel on rental), taxis, mileage reimbursements, leased cars, parking and tolls.
- Motor fuel – Gasoline.
- Other - Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.





# Required Supplemental Disclosures

## Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services

For the Twelve-Month Period  
 Ended June 30, 2015  
Name(s) of Entity(ies)

	Amount Received
	\$0
Total	\$0.00

Compensation does not include business revenues generated from a family business (farming, ranching, etc.) that has no relation to school district business.

## Gifts Received by Executive Officers and Board Members (and First Degree Relatives, if any) (gifts that had an economic value of \$250 or more in the aggregate in the fiscal year)

For the Twelve-Month Period  
 Ended June 30, 2015

	Board Lynn Superintendent Mitchusson	Board Tim Millerick	Board Juston Dobbs	Board Kiki Osterman	Board Brad Morgan	Board Kate Whitfield	Board Rob Wilson
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Note** – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification for local officials.

## Business Transactions Between School District and Board Members

For the Twelve-Month Period  
 Ended June 30, 2015

	Board Lynn Mitchusson	Board Tim Millerick	Board Juston Dobbs	Board Kiki Osterman	Board Brad Morgan	Board Kate Whitfield	Board Rob Wilson
Amounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Note** - The summary amounts reported under this disclosure are not to duplicate the items disclosed in the summary schedule of reimbursements received by board members.

## 2015-2016 RATINGS BASED ON SCHOOL YEAR 2014-2015 DATA - DISTRICT STATUS DETAIL

Name: <b>SHERMAN ISD(091906)</b>	Publication Level 1: 8/8/2016 6:20:16 PM
Status: <b>Passed</b>	Publication Level 2: 8/8/2016 6:20:16 PM
Rating: A = Superior	Last Updated: 8/8/2016 6:20:16 PM
District Score: 80	Passing Score: 31

#	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>	3/16/2016 3:39:16 PM	Yes
2	Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.		
2.A	<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>	3/16/2016 3:39:16 PM	Yes
2.B	<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, state, or federal funds? (The AICPA defines material weakness.)</u>	3/16/2016 3:39:17 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>	3/16/2016 3:39:17 PM	Yes
4	<u>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?</u>	3/16/2016 3:39:17 PM	Yes
5	<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>	3/16/2016 3:39:17 PM	Yes
			1 Multiplier Sum
6	<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.)</u>	8/4/2016 1:39:32 PM	6
7	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u>	6/30/2016 1:25:52 PM	6
8	<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 change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.) (See ranges below.)</u>	8/4/2016 1:39:32 PM	8

## 2015-2016 RATINGS BASED ON SCHOOL YEAR 2014-2015 DATA - DISTRICT STATUS DETAIL

9	<a href="#">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?</a>	8/4/2016 1:39:32 PM	10
10	<a href="#">Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</a>	8/4/2016 1:39:33 PM	10
11	<a href="#">Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</a>	3/16/2016 3:39:19 PM	10
12	<a href="#">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.)</a>	3/16/2016 3:39:20 PM	10
13	<a href="#">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?</a>	3/16/2016 3:39:20 PM	0
14	<a href="#">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.)</a>	3/25/2016 2:02:01 PM	10
15	<a href="#">Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?</a>	3/24/2016 4:29:20 PM	10
			80 Weighted Sum
			1 Multiplier Sum
			80 Score

### DETERMINATION OF RATING

<b>A.</b>	Did the district answer 'No' to Indicators 1, 3, 4, 5, or 2.A? If so, the school district's rating is <b>F for Substandard Achievement</b> regardless of points earned.	
<b>B.</b>	Determine the rating by the applicable number of points. (Indicators 6-15)	
	<b>A = Superior</b>	70-100
	<b>B = Above Standard</b>	50-69
	<b>C = Meets Standard</b>	31-49
	<b>F = Substandard Achievement</b>	<31



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**QUESTIONS/COMMENTS**  
**about**

***Sherman ISD Receiving “SUPERIOR” Rating  
by TEA for the Schools FIRST program?***