

SUPERIOR RATING!!!



*Sherman
Independent School District*

Financial Integrity Rating System of Texas 2016-17 Ratings

Based on data from the 2015-16 school year.

PUBLIC HEARING AND REPORT PROVIDED TO SISD BOARD ON NOVEMBER 13, 2017

DR. TYSON BENNETT, ASSISTANT SUPERINTENDENT FOR FINANCE & OPERATIONS



Financial Integrity Rating System of Texas

Sherman ISD Received “SUPERIOR” Rating

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.



Financial Integrity Rating System of Texas

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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? **11/18/2016**
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 = \$862,894

+ Accrual of Interest for Capital Appreciation Bonds of \$9,226,428

+ Pension Expense of \$0 (SISD paid to TRS)

+ Net Pension Liability of \$15,372,853 (Retirement \$ - SISD does not pay)

Sum all figures to equal a number greater than 0 to pass (\$25,462,175).



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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 96 days = 10 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 \$3,762,646 Plus Current Investments of \$11,058,911) Divided by (Total Expenditures of \$56,173,537 Minus Facilities Acquisition and Construction of \$75,000) Multiplied by 365 Equals ~96 (10 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 2.9276 ratio = 8 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 \$31,242,730

Divided by Current Liabilities of \$10,671,938

Equals 2.9276 (8 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?

.51 ratio = 10 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 \$81,556,769

Minus Net Pension Liability of \$15,372,853

Divided by Total Assets of \$129,672,941

Equals 0.5105 (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?”
- Acceptable days cash on hand equaled 60, which also meets standard.



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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 \$70,639,808 Minus Total Expenditures of \$67,639,914, Plus Debt Service of \$11,466,377, Plus Debt Service Fund Balance of \$6,264,154, Plus Facilities Improvement of \$75,000 and then Divide by Debt Service of \$11,466,377 to equal 1.8145 (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 .0759 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:

2013-2014 Total Enrollment 7,158

2015-2016 Total Enrollment 7,191 (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?
PEIMS Did Not Vary from AFR by .04% (Much Less Than 3%)

Formula:

Sum of Differences \$20,960

Divided by Denominator \$56,194,459

Equals .04% (Greatly Improved over Last Year)



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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:
 - <https://www.shermanisd.net/cms/lib/TX02215369/Centricity/Shared/Miscellaneous5/superintendent-contract-2016.pdf>



Required Supplemental Disclosures

For the Twelve-month Period Ended June 30, 2016

Description of Reimbursements	Superintendent	Tim Millerick	Hillary Clark	Juston Dobbs	Brad Morgan	Kate Whitfield	Britton Brooks	Rob Wilson
Meals	\$559.62	\$108.00	\$108.00	\$108.00	\$108.00	\$0	\$108.00	\$108.00
Lodging	\$727.29	\$390.60	\$627.96	\$390.60	\$627.96	\$0	\$627.96	\$690.60
Transportation	\$1,373.98	\$227.81	\$133.00	\$245.15	\$133.00	\$0	\$133.00	\$227.81
Motor Fuel	\$0	\$0	\$0	\$0	\$0	\$0		\$0
Other	\$375.00	\$375.00	\$375.00	\$375.00	\$375.00	\$155.00	\$375.00	\$375.00
Total	\$3,035.89	\$1,101.41	\$1,243.96	\$1,118.75	\$1,243.96	\$155.00	\$1,243.96	\$1,401.41

Note: Lynn Mitchusson and Kiki Osterman had \$0 reimbursements during the period.

Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2016

Note – The spirit of the rule is to capture all “reimbursements” for fiscal year 2016, 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, 2016										
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, 2016										
	Superintendent	Board Lynn Mitchusson	Board Tim Millerick	Board Juston Dobbs	Board Kiki Osterman	Board Brad Morgan	Board Kate Whitfield	Board Rob Wilson	Board Britton Brooks	Board Hillary Clark
Total	\$0	\$0	\$0	\$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, 2016										
	Amounts	Board Lynn Mitchusson	Board Tim Millerick	Board Juston Dobbs	Board Kiki Osterman	Board Brad Morgan	Board Kate Whitfield	Board Rob Wilson	Board Britton Brooks	Board Hillary Clark
		\$0	\$0	\$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.

2016-2017 RATINGS BASED ON SCHOOL YEAR 2015-2016 DATA - DISTRICT STATUS DETAIL

Name: SHERMAN ISD(091906)	Publication Level 1: 8/8/2017 2:29:29 PM
Status: Passed	Publication Level 2: 8/8/2017 2:29:29 PM
Rating: A = Superior	Last Updated: 8/8/2017 2:29:29 PM
District Score: 98	Passing Score: 60

#	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>	3/28/2017 11:35:25 AM	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>	3/28/2017 11:35:25 AM	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>	3/28/2017 11:35:26 AM	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>	3/28/2017 11:35:26 AM	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>	3/28/2017 11:35:26 AM	Yes
5	<u>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 Position 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>	3/28/2017 11:35:26 AM	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>	3/28/2017 11:35:27 AM	10
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>	3/28/2017 11:35:27 AM	8
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>	3/28/2017 11:35:27 AM	10

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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?</u>	3/28/2017 11:35:28 AM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	5/18/2017 12:24:14 PM	10
11	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	3/28/2017 11:35:28 AM	10
12	<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>	6/21/2017 8:19:05 PM	10
13	<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>	3/28/2017 11:35:29 AM	10
14	<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>	3/28/2017 11:35:29 AM	10
15	<u>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?</u>	3/28/2017 11:35:30 AM	10
			98 Weighted Sum
			1 Multiplier Sum
			98 Score

DETERMINATION OF RATING

A.	Did the district answer 'No' to Indicators 1, 3, 4, 5, or 2.A? 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. (Indicators 6-15)	
	A = Superior	90-100
	B = Above Standard	80-89
	C = Meets Standard	60-79
	F = Substandard Achievement	<60

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.



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QUESTIONS/COMMENTS
about

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