

Denton ISD

2020 Annual Financial Management Report
For the Year Ending June 30, 2019



F

Financial

I

Integrity

R

Rating

S

System

T

Texas

Rating Year and Data



Schools FIRST Background

- Enacted by Legislature in 2001 - Senate Bill 218 passed during the 77th Texas Legislative Session
- Purpose:
 - Hold districts accountable for quality of their financial management practices
 - Provide maximum allocation for direct instructional purposes
 - Evaluates quality of financial management decisions
- Requirements
 - Prepare FIRST Financial Management Report
 - Include disclosures in report
 - Advertise Public Meeting
 - Hold public hearing to discuss rating

Denton ISD 2020 FIRST Rating

DISD 2020 FIRST Rating

Score - 100

A - Superior

18th Year of Highest Possible
Rating

8th Year of Perfect Rating Score

Four - Tier Rating System

A = Superior 90-100 Points



B = Above Standard 80-89 Points



C = Meets Standard 60-79 Points



F = Substandard <60 Points

15 FIRST Rating Indicators

Critical

5 Indicators

1 thru 5

A “No” answer to any critical indicator will result in an automatic failure on FIRST

Solvency

7 Indicators

6 thru 12

Indicators designed to detect early signs of solvency related issues

Financial Competence

3 Indicators

13 thru 15

Indicators designed to show quality of district management decisions and financial management practices

Critical Indicators

1. Annual Financial report filed by deadline to TEA
2. Unmodified opinion on annual financial audit report
3. Compliance with payment terms of all bonded debt agreements
4. Timely payments to state and federal agencies (TRS, IRS, TWC, etc.)
5. Total unrestricted net asset balance >0 in governmental activities
(Not rated in most recent years)

Indicator 6

Sufficient Days Cash on Hand

- 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)?
- 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.
- A district must have at least 90 days cash on hand to receive the full 10 points for this indicator.
- Formula is $\text{current cash and investments} \div \text{total expenditure (net of capital expenditures)}$

DISD

FY2019 - 153.22

FY2018 - 138.89

FY2017 - 149.50

FY2016 - 149.60

FY2015 - 155.32

Indicator 9

General Fund Revenue exceeds General Fund Expenditures

- 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?
- This indicator simply asks, "Did you spend more than you earned?" (the school district will automatically pass this indicator, if the school district had at least 60 days cash on hand.)
- Total revenues must exceed total expenditures to receive the full 10 points for this indicator.
- Formula is revenue minus expenditures (net of facilities acquisition and construction)

DISD

FY2019 - \$8,983,200

FY2018 - \$9,124,004

FY2017 - \$1,873,183

FY2016 - \$3,009,054

FY2015 - \$4,111,118

Indicator 10

Debt Service Coverage Ratio

- Was the debt service coverage ratio sufficient to meet the required debt service?
- This indicator measures whether the district is able to make debt principal and interest payments due in upcoming year
- Debt Service Ratio must exceed 1.20 to receive the full 10 points for this indicator.
- Formula: $\text{Total Revenue (General and Debt)} - \text{Total Expenditures (General and Debt)} + \text{Debt Service function codes 71, 72, 73} + \text{Fund 511 Fund Balance} + \text{Function Code 81} / \text{Debt Service Function codes 71, 72, 73}$

DISD

FY2019 - 2.3142

FY2018 - 2.4781

FY2017 - 1.9802

FY2016 - 2.3045

FY2015 - 2.1513

Indicator 11

Administrative Cost Ratio

- Was the school district's administrative cost ratio equal to or less than the threshold ratio?
- This indicator measures the percentage of budget that District spent on administration.
- The Administrative Cost Ratio must be less than 8.55% to receive the full 10 points for this indicator.
- Score based on size of District. DISD falls in the >10,000 ADA category for rating scale.

DISD

FY2019 - 5.81%

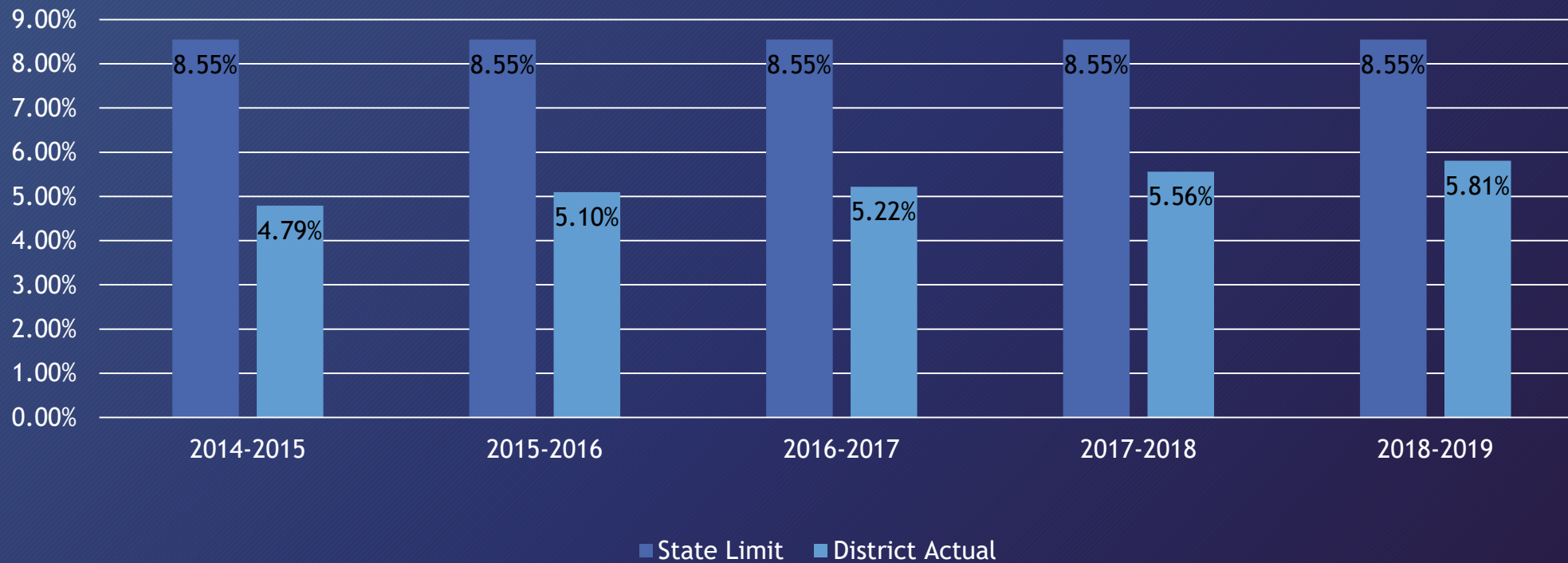
FY2018 - 5.56%

FY2017 - 5.22%

FY2016 - 5.10%

FY2015 - 4.79%

Administrative Cost Ratio Chart



Statewide FIRST Results

	2017-2018 Fiscal Year		2018-2019 Fiscal Year	
Districts Passing	1,010	98.92%	1,010	99.02%
Districts Failing	10	1.08%	10	.98%
A = Superior	906	88.82%	895	87.75%
B = Above Standard	71	6.96%	82	8.04%
C = Meets Standard	33	3.24%	33	3.24%
F = Substandard	10	.98%	10	.98%

Data as of 10/30/2019

Data as of 08/07/2020

Looking Forward - 2021 FIRST Rating

- Currently in process of Fiscal Year 2020 Audit
 - Indicators to monitor - Indicator 6 and Indicator 9
 - Expenditures increased due COVID
 - State funding reduced due to CARES ACT ESSER Grant funding
- Changes to the FIRST rating worksheet
 - Introduction of Ceiling Indicators - there are 6 indicators that will have an assigned maximum amount of points
 - 2 of the Critical Indicators will be included as Ceiling Indicators
 - Indicator 4 and 5
 - So even if able to answer Yes - other criteria could cause a less than perfect score