

Denton ISD

2021 Annual Financial Management Report
For the Year Ending June 30, 2020



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 2021 FIRST Rating

DISD 2021 FIRST Rating

Score - 98

A - Superior Achievement

19th Year of Highest Possible
Rating

Four - Tier Rating System

A = Superior Achievement 90-100 Points

B = Above Standard Achievement 80-89 Points

C = Meets Standard Achievement 70-79 Points

F = Substandard Achievement <70 Points

20 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

10 Indicators

6 thru 15

Indicators designed to detect early signs of solvency related issues

Financial Competence

5 Indicators

16 thru 20

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

Critical Indicators

Any “No” response in this category is an indicator of fiscal distress and automatically results in a failure of FIRST. Accordingly, these indicators are of utmost importance.

Indicator	Response
Indicator 1 - Timely filing of the Annual Financial Report	Yes
Indicator 2 - Unmodified auditor opinion in the AFR	Yes
Indicator 3 - Compliance with the payment terms of all debt agreements	Yes
Indicator 4 - Timely payment of all payroll-related obligations	Yes
Indicator 5 - Total net assets greater than zero (Not scored in recent years)	N/A

Ceiling Indicators - NEW

A ceiling indicator sets an upper limit (maximum score) at which a score from a standard limit of a specific indicator will result regardless of overall points.

Indicator	Maximum Points	Passed
Indicator 4 - Timely Payments	95	✓
Indicator 6 - Average Change in Fund Balance	89	✓
Indicator 16 - PEIMS to AFR variance	89	✓
Indicator 17 - Material Weakness	79	✓
Indicator 20 - Property Values Board Discussion	89	✓

Indicator 12 (NEW)

Debt Repayment

- Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?
- In order to receive full 10 points, the debt per \$100 of assessed property value must be less than 4.
- DISD Score 8 of 10 points.

Calculation Formula:	
Enter the district's total local and intermediate revenue (5700s, fund 599)	96,640,843
Enter the district's total revenues (code 5020, fund 599)	97,620,032
Enter the district's long-term liabilities from schedule A-1 in the annual audit report	1,273,519,687
Enter the district's current year assessed property value for debt service	19,914,985,782
Debt per \$100 of assessed value	6.33

DISD

FY2020 - 6.33



Indicator 6 (Ceiling Indicator) (NEW Calculation) Change in Fund Balance

- Was the average change in (assigned and unassigned) 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?
- Prior Years - 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 the percentage change in fund balance to see whether the fund balance is declining too quickly, and if it is declining, whether sufficient fund balance remains to operate for at least 75 days.?
- DISD has had increasing fund balance year over year. For this indicator calculation the three-year average change in fund balance was an increase of 7.06%. And we exceeded the 75 days sufficient fund balance to operate by having 127 days.

DISD

FY2020 - 7.06%

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

FY2020 - \$3,473,280

FY2019 - \$8,983,200

FY2018 - \$9,124,004

FY2017 - \$1,873,183

FY2016 - \$3,009,054

Indicator 9

General Fund Revenue exceeds General Fund Expenditures

	FY 2019	FY 2020
Total Revenue	\$277,102,319	\$295,995,935
Total Expenditures less Capital Expenditures	\$268,119,119	\$292,522,655
Excess Revenue	\$8,697,894	\$3,473,280
Number of Days Cash on Hand	153.22	154.89
Cash & Equivalents	\$112,554,323	\$124,131,005

Indicator 10 (NEW)

Budgeted Revenue compared to Actual Revenue

- Did the school district average less than a 10 percent variance when comparing budgeted revenues to actual revenues for the last 3 fiscal years?
- This indicator measure how accurately the district forecast projected revenue by comparing budgeted revenue submitted through PEIMS in October of the fiscal year to actual revenue submitted after the close of the fiscal year.
- Calculation: Average variance when comparing general fund revenue budget in Fall PEIMS submission with the actual final fiscal year revenue budget.

DISD

FY2020 - 3.49%

Indicator 13

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 the 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

FY2020 - 5.91%

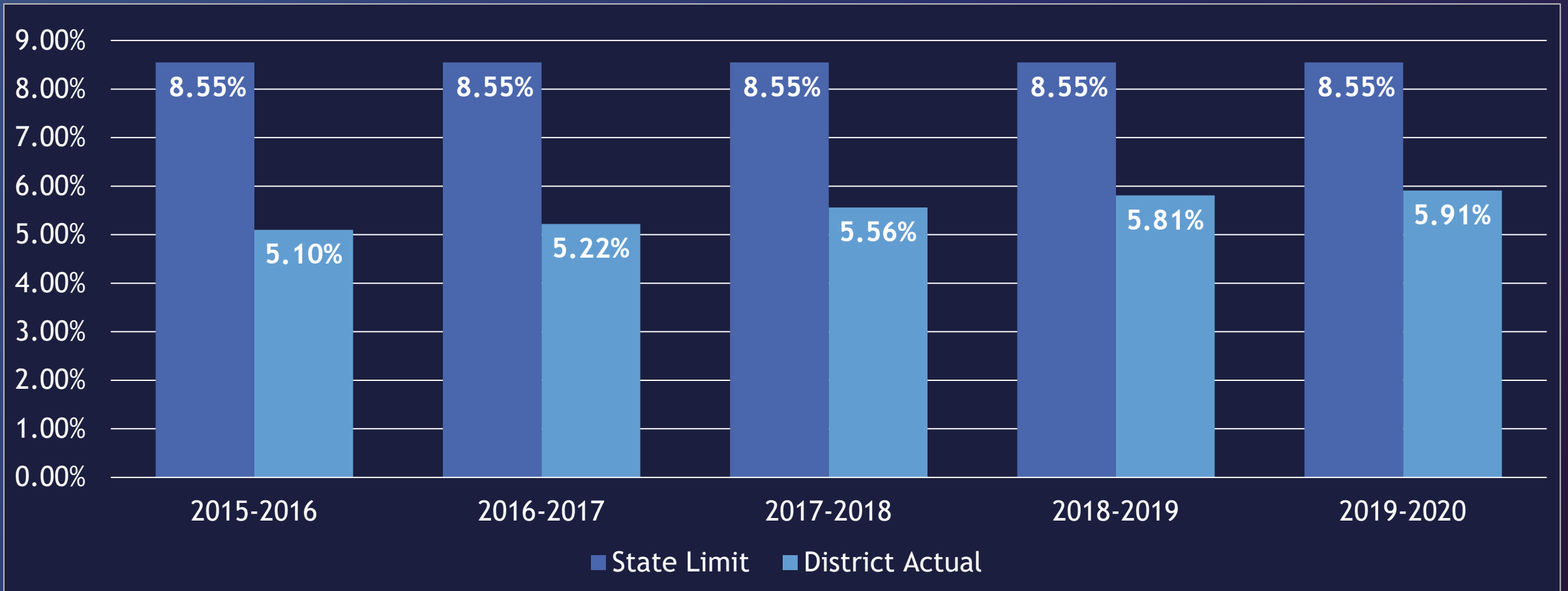
FY2019 - 5.81%

FY2018 - 5.56%

FY2017 - 5.22%

FY2016 - 5.10%

Administrative Cost Ratio Chart



Indicator 15 (NEW)

ADA compared to Pupil Projection

- Was the school district's ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections?
- This indicator measures how well the district was able to project average daily attendance for the coming biennium for payment purposes. Projected ADA is compared to actual.
- For DISD and like size districts of 10,000 or more ADA, the ratio of actual to projected ADA must have a variance less than .07 to receive the maximum of 5 points otherwise no points are received.

DISD

FY2020 - .0061

Statewide FIRST Results

	2018-2019 Fiscal Year		2019-2020 Fiscal Year	
Districts Passing	1,011	99.12%	1,007	98.73%
Districts Failing	9	88%	13	1.27%
A = Superior	898	88.04%	845	82.84%
B = Above Standard	81	7.94%	119	11.67%
C = Meets Standard	32	3.14%	43	4.22%
F = Substandard	9	.88%	13	1.27%

Data as of 11/19/2020

Data as of 08/10/2021

Looking Forward - 2022 FIRST Rating

- Currently in process of Fiscal Year 2021 Audit
 - Indicators to monitor - Indicator 12 and Indicator 10
 - Expenditures increased due COVID
 - State funding reduced due to CARES ACT ESSER Grant funding
- TEA Notification - Indicators not being rated for 2021-2022
 - Indicator #10 - Did the school district average less than a 10 percent variance (90%-110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?
 - Indicator #15 - Was the school district's actual ADA within the allotted range of the district's biennial pupil projection(s) submitted to TEA? If the district did not submit pupil projections to TEA, did it certify TEA's projections?
- Indicator #5 - This indicator has not been scored for the past 3 years we assume this will continue to be the case.