



# Schools **FIRST**

DeSoto ISD's Report on  
Texas Education Agency's  
Financial Integrity Rating System of Texas  
For the Year Ended  
June 30, 2017



# Determination of Ratings

- If a district answers NO to Indicators 1, 2.A, 3, 4 or 5 –It is an automatic F - Substandard Achievement.
- Indicators 6-15 are awarded a point value (0 to 10) based on performance.
  - 90-100 = A – Superior
  - 80-89 = B – Above Standard
  - 60-79 = C – Meets Standard
  - <60 = F – Substandard



# 1 of 15 INDICATORS

Was the Annual Financial Report filed within One Month of the November 27<sup>th</sup> Deadline?

*"Was the audit filed on time?"*

YES – Filed on 11/20/2017



## 2 of 15 INDICATORS

2.A Was there an Unmodified Opinion in the Annual Financial Report on the financial statements as a whole?

*A "modified opinion" means that the district needs to correct something in its reporting or financial controls.*

YES – Unmodified Opinion



## 2 of 15 INDICATORS

2.B Did the external auditor report that the AFR was free of any instances of material weaknesses in internal controls over financial reporting?

*A "material weakness" is a deficiency in internal controls such that a possible misstatement of financial statements will not be prevented or corrected timely.*

**YES – No material weaknesses in internal controls**



## 3 of 15 INDICATORS

Was the school district in compliance with the payment terms of all debt agreements at fiscal year end.

*"Does the DeSoto ISD make Bond Payments on time?"*

YES – All Bond Payments were timely



# 4 of 15 INDICATORS (new)

Did the school district make timely payments to the TRS, TWC, IRS, and other government agencies?

*"Where all governmental payments paid on time?"*

Yes



# 5 of 15 INDICATORS

Was the total unrestricted net asset balance in the Statement of Net Assets greater than zero?

*"Is the school district solvent?"*

Total Unrestricted Net Assets	(\$58,926,743)
Accreted Interest for CAB's	\$65,122,238
<u>Pension Expense / Liability</u>	<u>\$19,645,607</u>
Unrestricted Net Assets	\$25,841,102

YES





# 6 of 15 INDICATORS

Was the number of days of cash on hand and current investments in the general fund sufficient to cover operating expenditures?

*"How many days can the district operate without receiving any outside payments?"*

Cash on Hand                      \$14,298,522

Total Expenditures      ÷ \$88,150,071

= .1622 X 365 = 59.2 days

4 Points – Need at least 90 days for max points



# 7 of 15 INDICATORS

Was the measure of current assets to current liabilities ratio sufficient to cover short-term debt?

*"Is short-term debt sufficiently capitalized?"*

Current Assets	\$67,772,032
<u>Current Liabilities</u>	<u>÷\$23,964,097</u>
	2.8281



## 7 of 15 INDICATORS (cont.)

Was the measure of current assets to current liabilities ratio sufficient to cover short-term debt?

*"Is short-term debt sufficiently capitalized?"*

Determination of points

2.8 is between 2.5 and 3.0

8 Points – Need greater than 3 for max points



# 8 of 15 INDICATORS

Was the ratio of long-term liabilities to total assets sufficient to support long-term solvency?

“What are the levels of risk to district in the long-term?”

Long-Term Liabilities	-	\$211,776,400
<u>Total Assets</u>	=	<u>÷ \$224,795,222</u>
		0.9421



## 8 of 15 INDICATORS (cont.)

Was the ratio of long-term liabilities to total assets sufficient to support long-term solvency?

Ratio = .94                  Growth = 9.7%

Determination of Points

2 points If  $\leq 1.00$  or 10 points if 5 yr growth  $\geq 7\%$

10 Points



# 9 of 15 INDICATORS

Did General Fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the number of days of cash on hand greater than or equal to 60 days?

“Are we using Fund Balance for day-to-day operations, is one time use okay if cash on hand is sufficient?”



# 9 of 15 INDICATORS (cont.)

9. Did General Fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the number of days of cash on hand greater than or equal to 60 days?

Revenue	\$86,305,542	Cash 59 days
<u>Expenditures</u>	<u>\$88,150,071</u>	
	(\$1,844,529)	No No

0 Points



# 10 of 15 INDICATORS

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

“Can we pay our debt obligations?”

Available Revenue and Fund Balances

\$16,763,269

Debt Service Obligations

÷ \$14,327,580

= 1.17





# 10 of 15 INDICATORS (cont.)

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

**Determination of Points**

Need 1.20 or higher to get max points

8 Points for 1.17



# 11 of 15 INDICATORS

Was the Administrative Cost Ratio equal to or less than the Threshold Ratio?

*"Are the districts' administrative functions versus instructional functions higher than state recommendations based on district size?"*

*District Administrative Cost Ratio = .1178*

*8 Points – Need .1000 for max points*



# 12 of 15 INDICATORS

Did the district not have a 15% decline in the students to staff ratio over 3 years? (If the district enrollment did not decrease, the district will automatically pass this indicator.)

*"Is a district with declining enrollment making appropriate reductions in staff?"*

*Enrollment Increase 143 students*

*10 Points*



# 13 of 15 INDICATORS

Did the comparison of PEIMS data to like information in AFR result in an aggregate variance of less than 3 percent?

*"Does the district PEIMS submitted information match the Audit Report?"*

YES – There was ZERO variance – 10 Points



# 14 of 15 INDICATORS

Did the 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?

*"Did the district follow all purchasing, expenditure and reimbursement laws and regulations?"*

**YES – 10 Points**



# 15 of 15 INDICATORS

Did the district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of FSP funds as a result of a financial hardship?

*"Did the district properly monitor and manage state appropriations?"*

YES – 10 Points



**78 POINTS**

**DESOTO ISD**

**C - MEETS STANDARD**



# QUESTIONS

- Questions about 15 Indicators
- Questions about additional disclosure information in packet
- Questions about narrative information in packet
- Questions about any other information related to FIRST rating or System