

Denton Independent School District

2024 Annual Financial Management Report
School Financial Integrity Rating System of Texas
“FIRST”

For the Fiscal Year Ending June 30, 2023



Dr. Susannah O’Bara, Superintendent of Schools
Dr. Jeremy Thompson, Deputy Superintendent
Vicki Garcia, Executive Director of Financial Operations

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Denton Independent School District Annual Financial Management Report

Introduction

During the 77th regular session of the Texas legislature (2001), Senate Bill 218 was passed, and Governor Perry signed it into law shortly thereafter. This law requires each school district to prepare an annual financial management report within two months of the date of issuance of the final School FIRST ratings. The District received official notification of the 2023-2024 Preliminary School FIRST rating on August 8, 2024. A district has the right to appeal within 30 days after TEA's release of the preliminary rating. If a district does not file an appeal, the preliminary rating becomes a final rating 31 days after the issuance of the preliminary rating. The District did not file an appeal therefore the preliminary rating became the Final on September 8, 2024. This rating is based upon analysis of school year data for the fiscal year ending June 30, 2023.

The purpose of the financial accountability rating system is to ensure that school districts will be held accountable for the quality of their financial management practices and achieve improved performance in the management of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better to provide the maximum allocation possible for direct instructional purposes. The system also discloses the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools. An evaluation of the long-term effectiveness of the system should disclose a measurable improvement in the quality of Texas public schools' decision-making processes.

Overview of the Worksheet

The reporting tool for School FIRST is the Financial Accountability Ratings Worksheet. This worksheet was developed by representatives of the Texas Education Agency (TEA), the Texas Business & Education Council (TBEC) and the Texas Association of School Business Officials (TASBO). It is administered by the TEA and calculated on information submitted to the Agency via the PEIMS submission in January each year upon completion and approval of the annual external audit.

This worksheet consists of 21 indicators broken into three categories: Critical, Solvency and Financial Competence.

Critical Indicators

Indicators #1 through #4 are the 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. These four indicators revolve around:

- Timely filing of the Annual Financial Report (AFR)
- Unmodified auditor opinion in the AFR
- Compliance with the payment terms of all debt agreements
- Timely payment of all payroll-related obligations *

Denton ISD passed all the critical indicators.

Solvency Indicators

Indicators #5 through #14 concern the solvency of Denton ISD. These seven indicators focus on:

- Total net assets greater than zero*
- Change in fund balance *
- Cash and investments on hand
- Current asset to current liability ratio
- Revenues compared to expenditures
- Budget revenue compared to actual (not scored for the 2023-2024 rating year)
- Long-term liability to total asset ratio
- Debt service/assessed property value ratio
- Administrative cost ratio
- Student to staff ratio (not scored for the 2023-2024 rating year)

Denton ISD scored 74 of a maximum 80 points on these indicators.

Financial Competence Indicators

Indicators #15 through #21 identify if there are any serious deficiencies in the financial management of the District. These three indicators focus on:

- ADA compared to pupil projections
- Quality of Public Education Information Management System (PEIMS) financial data compared to the Annual Financial Report (AFR) result in less than a 3% variance *
- Instance(s) of material weaknesses in internal controls noted by the external independent auditor *
- Instance(s) of material noncompliance noted by the external independent auditor
- Required financial information posted in accordance with applicable statutes, laws and rules
- Board of Trustee's discussion of District's local, state and federal funding*
- Over-allocation of FSP adjusted repayment due to financial hardship*

Denton ISD received the maximum score on all these indicators.

Ceiling Indicators

Ceiling Indicators were added beginning the 2020-2021 FIRST rating. 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. There are five ceiling indicators. The ceiling indicators are denoted by * above.

Denton ISD passed all the ceiling indicators.

Maintaining a "Superior Achievement" rating for twenty-two consecutive years reflects a high level of financial management and accountability within Denton ISD. Achieving positive responses on all 21 indicators and receiving an overall score of 94 out of 100 further highlights the district's commitment to financial excellence. Included in this report is the Rating Report received from TEA used in determining the District's score, an explanation of each of the Indicators, and the required disclosures.

2023-2024 RATINGS BASED ON SCHOOL YEAR 2022-2023 DATA

Name: DENTON ISD (061901)

Status: Passed

Rating: A = Superior Achievement

District Score: 94

#	Indicator Description	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>	Yes
2	<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>	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</u>	Yes

	<u>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>	
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? (If the school district received a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments and will fail critical indicator 4. If the school district was issued a warrant hold, the maximum points and highest rating that the school district may receive is 95 points, A = Superior Achievement, even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days.)</u>	Yes Ceiling Passed
5	<u>Was the total net position in the governmental activities column in the Statement of Net Position (net of accretion of interest for capital appreciation bonds, net pension liability, and other post-employment benefits) greater than zero? (If it is not, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement, unless the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership. If the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	Ceiling Passed
6	<u>Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures? (If the school district fails indicator 6, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	Ceiling Passed
7	<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 in the Determination of Points section.</u>	10
8	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? See ranges below in the Determination of Points section.</u>	6
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? See ranges below in the Determination of Points section.</u>	10
10	This indicator is not being evaluated.	10
11	<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 increase of</u>	10

	<u>students in membership over 5 years was 7 percent or more or 1,000 or more students in membership, then the school district passes this indicator.)</u>	
12	<u>What is the correlation between future debt requirements and the district's assessed property value?</u>	8
13	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? See ranges below in the Determination of Points section.</u>	10
14	<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>	10
15	This indicator is not being evaluated.	5
16	<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? (If the school district fails indicator 16, the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)</u>	Ceiling Passed
17	<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 and free from substantial doubt about the school district's ability to continue as a going concern? (The AICPA defines material weakness.) (If the school district fails indicator 17, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.)</u>	Ceiling Passed
18	<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>	10
19	<u>Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?</u>	5
20	<u>Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?</u>	Ceiling Passed
21	<u>Did the school district receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of a financial hardship?</u>	Ceiling Passed
		(100 Ceiling)
		94 Score

DETERMINATION OF RATING

A.	Did the school district fail any of the critical indicators 1, 2, 3, or 4? 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.	
	A = Superior Achievement	90-100
	B = Above Standard Achievement	80-89
	C = Meets Standard Achievement	70-79
	F = Substandard Achievement	<70
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. The school district receives an F if it scores below the minimum passing score, if it failed any critical indicator 1, 2, 3, or 4, if the AFR or the data were not both complete, or if either the AFR or the data were not submitted on time for FIRST analysis.		

CEILING INDICATORS

Did the school district meet the criteria for any of the following ceiling indicators 4, 6, 16, 17, 20, or 21? If so, the school district's applicable maximum points and rating are disclosed below. Please note, an F = Substandard Achievement Rating supersedes any rating earned as the result of the school district meeting the criteria of a ceiling indicator.		
Determination of rating based on meeting ceiling criteria.	Maximum Points	Maximum Rating
Indicator 4 (Timely Payments) - School district was issued a warrant hold.	95	A = Superior Achievement
Indicator 6 (Average Change in Fund Balance) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 16 (PEIMS to AFR) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 17 (Material Weaknesses) - Response to indicator is <i>No</i> .	79	C = Meets Standard Achievement

Indicator 20 (Property Values and Tax Discussion) - Response to indicator is <i>No</i> .	89	B = Above Standard Achievement
Indicator 21 (FSP Repayment Plan) - Response to indicator is <i>Yes</i> .	70	C = Meets Standard Achievement

Overview of the Worksheet

Critical Indicators

Indicators 1 through 5 are considered critical indicators. Any “No” response in one of these categories is a signal indicator of fiscal distress. These five indicators revolve around the audit report, timely debt and payroll-related payments and the auditor’s findings.

Indicator #1

Indicator: 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?

Indicator Goal: To ensure the district’s financial report is filed by the deadline.

DISD Answer: Yes. The District met this requirement. The annual financial report was received by the Texas Education Agency before the required deadline of November 27, 2023.

Indicator #2

Indicator: 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.)

Indicator Goal: To determine that the external auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

DISD Answer: Yes. The District received an unmodified opinion on its annual financial report.

Indicator #3

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

Indicator Goal: To determine if the district made its outstanding bond payments on time and to ensure it is not in default.

DISD Answer: Yes. DISD made all required bond payments on time.

Indicator #4 Ceiling Indicator

Indicator: Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?

Ceiling Determination: This indicator will be considered PASSED for the Ceiling if the school district had received a warrant-hold, and the district cleared the hold within 30 days.

Indicator Goal: To determine if the district fulfilled its payroll-related payment obligations to these organizations.

DISD Answer: Yes. DISD made all payroll-related payment obligations on time.

Solvency Indicators

Indicator #5 Ceiling Indicator

Indicator: 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 Positions greater than zero?

Indicator Goal: This indicator shows the financial position of the district, when considering all governmental activities net OPEB, is not in a deficit

Ceiling Determination: This indicator will be considered PASSED for the Ceiling if the school district has an increase of students in membership over 5 years of 7 percent or more or 1,000 or more students in membership.

DISD Answer: Yes. The Statement of Net Position total unrestricted net position balance was greater than zero. Denton ISD passed this ceiling indicator.

Indicator #6 Ceiling Indicator

Indicator: Was the average change in (assigned and unassigned) fund balances over 3 years less than a 25 percent decrease or did the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures?

Indicator Goal: 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.?

Ceiling Determination: This indicator will be considered PASSED for the Ceiling if the average change in fund balances over 3 years had less than a 25 percent decrease or the current year's assigned and unassigned fund balances exceed 75 days of operational expenditures.

DISD Answer: Yes. DISD passed this Ceiling Indicator. The District's percentage change in fund balance over a three-year period was 2.00%.

Indicator #7

Indicator: 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)?

Indicator Goal: This indicator measures how long in days after the end of the fiscal the school district could have disbursed funds for its operating expenditures without receiving any new revenues.

DISD Answer: Yes. DISD earned all 10 points on this indicator. The District had 150.14 days cash on hand available at the end of the fiscal year to cover operating expenditures.

Indicator #8

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

Indicator Goal: This indicator measures whether the school district had sufficient short-term assets at the end of the fiscal year to pay off its short-term liabilities.

DISD Answer: DISD's current assets to current liabilities ratio was 2.058; therefore, DISD earned all 10 points on this indicator. Current Assets \$361,881,020/ Current Liabilities \$175,878,493 = 2.058. Denton ISD received the 6 out of 10 points for this indicator.

Indicator #9

Indicator: 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?

Indicator Goal: 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.)

DISD Answer: The District's number of days cash on hand exceeded 60 days with 150.145 days cash on hand. Denton ISD received the full 10 points for this indicator.

Indicator #10

Indicator: Did the school district average less than a 10 percent variance (90% to 110%) when comparing budgeted revenues to actual revenues for the last 3 fiscal years?

Indicator Goal: *This indicator is not being evaluated for the 2023-2024 rating year.*

Indicator #11

Indicator: 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 7 percent or more, then the school district passes this indicator.)

Indicator Goal: To determine if the district's total assets were sufficient to support long-term debt.

DISD Answer: The District's Ratio of liabilities to assets is 0.7937. Denton ISD received the full 10 points for this indicator.

Indicator #12

Indicator: Was the debt per \$100 of assessed property value ratio sufficient to support future debt repayments?

Indicator Goal: This indicator asks about the school district's ability to make debt principal and interest payments. In order to receive the full 10 points for this indicator the debt per \$100 of assessed value ratio must be equal to or less than four.

DISD Answer: DISD's debt per \$100 of assessed value ratio is 4.9576 resulting in 8 points for this indicator.

Indicator #13

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

Indicator Goal: To determine whether the district's administrative costs are in an acceptable range for its size. DISD is compared to other districts of 10,000 ADA or more. For this comparison group, ratio of $<.0855$ earns all 10 points, and the points decrease by 2 as the percentage increases.

DISD Answer: DISD's administrative cost ratio was .0659 which is less than .0855 earning the District all 10 points for this indicator.

Indicator #14

Indicator: 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 yes or no this indicator.)

Indicator Goal: To determine that if student enrollment is declining by more than 15%, staff are also decreasing proportionately, over a 3-year period.

DISD Answer: Denton ISD had an increase in student enrollment therefore resulting in 10 points for this indicator.

Financial Competence Indicators

Indicator #15

Indicator: 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?

Indicator Goal: *This indicator is not being evaluated for the 2023-2024 rating year.*

Indicator #16 Ceiling Indicator

Indicator: 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?

Indicator Goal: To determine whether the quality of data reported to TEA through PEIMS and in the annual financial report submission are consistent. If the variance is greater than 3%, districts fail this ceiling indicator and the maximum points and highest rating that the school district may receive is 89 points, B = Above Standard Achievement.)

DISD Answer: DISD passed this ceiling indicator. Our variance was near zero percent. (.03)

Indicator #17
Ceiling Indicator

Indicator: 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?

Indicator Goal: To determine whether the district has established and maintains effective internal control over its financial reporting. If the school district fails this ceiling indicator, the maximum points and highest rating that the school district may receive is 79 points, C = Meets Standard Achievement.

DISD Answer: DISD passed this ceiling indicator as the annual financial report did not disclose any instances of material weaknesses in internal controls.

Indicator #18

Indicator: 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?

Indicator Goal: This indicator measures whether the district is complying with laws, rules and regulations related to the expenditure of grant funds, contracts, and other state and federal funds.

DISD Answer: DISD received 10 points for indicator 18. There were no instances of material noncompliance noted in the AFR by the external independent auditor.

Indicator #19

Indicator: Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?

Indicator Goal: This indicator measures whether the district is complying with legal requirements related to financial transparency by posting all required information.

DISD Answer: DISD had all legally required postings related to financial transparency posted and received 5 points for indicator 19.

Indicator #20
Ceiling Indicator

Indicator: Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?

Indicator Goal: This indicator assesses whether the school district's administration and school board members discussed the potential changes or impacts to funding from local, state, or federal sources before adopting the district's budget.

DISD Answer: DISD passed this ceiling indicator. For the fiscal year 2023 budget, a discussion of changes and/or impact to local, state, and federal funding took place at the May 10, 2022, school board meeting. The 2022-2023 budget was adopted at the June 21, 2022.

Indicator #21
Ceiling Indicator

Indicator: Did the school district receive an adjusted repayment schedule for more than one fiscal year for an over-allocation of Foundation School Program (FSP) funds because of a financial hardship?

Indicator Goal: This indicator measures Whether the school district encountered financial difficulties severe enough to request or qualify for modified repayment terms.

DISD Answer: DISD passed this ceiling indicator.

REQUIRED DISCLOSURES

Summary Schedule of Reimbursements

Fiscal Year 2023

	Dr. Jamie Wilson	Amy Bundgus	Barbara Burns	Charles Stafford	Jim Alexander	Mia Price	Patricia Soza-Sánchez	Sheryl English	Lori Tays	Total
Meals	1,072.10	314.80	1,134.24	501.72	948.73	727.28	570.80	943.64	\$ -	\$ 6,213.31
Lodging	4,406.49	2,498.84	4,475.43	4,204.48	2,718.15	2,738.01	2,915.06	4,468.61	\$ 840.93	\$ 29,266.00
Air, gas, rental	1,418.41	513.80	1,935.36	1,526.21	1,673.64	1,137.22	1,244.06	437.51	\$ -	\$ 9,886.21
Mileage	2,105.18	668.48	505.64	1,136.50	377.75	80.96	524.62	813.82	\$ 43.88	\$ 6,256.83
Registration/ other	3,509.11	1,880.89	1,834.44	3,471.69	3,146.92	2,065.00	2,374.14	2,995.76	\$ 175.00	\$ 21,452.95
Total	\$12,511.29	\$ 5,876.81	\$ 9,885.11	\$10,840.60	\$ 8,865.19	\$ 6,748.47	\$ 7,628.68	\$ 9,659.34	\$ 1,059.81	\$ 73,075.30

Business Transactions Between School Districts and Board Members

There were no business transactions between the District and any board member for FY 2023.

Superintendent Outside Compensation

Superintendent Jamie Wilson did not receive any outside compensation or fees for Professional Consulting or other personal services for the twelve-month period ended June 30, 2023.

Superintendent's Contract

The Superintendent's current contract is posted on the District's website at www.dentonisd.org.

Executive Officer and Board of Trustees Gifts

The Superintendent and Board Members did not receive any gifts that had an economic value of \$250 or more in aggregate for the twelve-month period ended June 30, 2023, from an outside entity that received payments from DISD in the prior fiscal year or from competing vendors that were not awarded contracts in the prior fiscal year.