

School FIRST

2015 Report for the 2013-2014 Fiscal Year

Date: 11/12/2015

Presenter:

Glenn Reed

*General Manager, Budgeting and Financial
Planning*



2013-2014 School FIRST Rating

HOUSTON INDEPENDENT SCHOOL DISTRICT

2015 BOARD OF EDUCATION

Rhonda Skillern-Jones, President
Manuel Rodriguez, Jr., First Vice President
Wanda Adams, Second Vice President
Paula Harris, Secretary
Juliet Stipeche, Assistant Secretary
Anna Eastman
Michael Lunceford
Greg Meyers
Harvin Moore

ADMINISTRATION

Terry B. Grier, Ed.D., Superintendent
Kenneth Huewitt, Deputy Superintendent and Chief Financial Officer
Sherrie Robinson, Controller
Glenn Reed, General Manager, Budgeting and Financial Planning

Purpose

- Expands the public education accountability system in Texas to Financial Services.
- Originated by SB875 of the 76th Texas Legislature in 1999.
- Updated in 2015 to reflect Commissioner's Rule changes authorized by the Texas Legislature in 2013.
- Indicators developed by Texas Business and Education Council (TBEC), Texas Education Agency (TEA), Comptroller's Office, and the Texas Association of School Business Officials (TASBO).
- **Primary goal: to improve management of school districts' financial resources.**

Objectives

- Assess quality of financial management in Texas public schools.
- Measure and report extent to which financial resources are allocated for direct instructional purposes.
- Fairly evaluate quality of financial management decisions.
- Openly report results to general public.

Overview

- School FIRST rating lags a year. This presentation is based on 2013-2014 data.
- Rating based on 7 indicators
- District's School FIRST rating can impact special education determination status

Rating Categories

- Numerical scores based on 3 indicators, each worth 10 points, and 4 critical indicators evaluated as yes/no.
- **Overall Pass**= District must receive a “yes” on all four critical indicators and >16 points.
- **Overall Fail (Substandard Achievement)**= District earns a “no” on any of the 4 critical indicators and/or <16 points on the fiscal performance indicators.

Critical Indicators 1-4

1. Was the district's annual financial report (CAFR) completed and submitted to TEA by the deadline established by TEA?
 2. Was there an unmodified opinion in the CAFR on the financial statements as a whole? (The external auditor determines if there was an unmodified opinion).
 3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?
 4. Was the total unrestricted net asset balance in the governmental activities column in the Statement of Net Assets greater than zero?
- A "no" answer to any of these indicators is an automatic rating of Substandard Achievement (Fail).

Fiscal Performance Indicator 5-7

5. Was the school district's administrative cost ratio equal to or less than the threshold ratio?
 6. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's CAFR result in total variance of less than 3 percent of all expenditures by function (Data Quality Measure)?
 7. Did the external independent auditor report that the CAFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?
- Districts may earn up to 10 points on each of these indicators.

What is HISD's Rating?

Overall Pass

- HISD received a total score of 30 on the fiscal indicators and a “yes” on all critical indicators.
- The district has received the highest rating possible as established under guidelines and rules established by the Texas Education Agency.

HISD's Critical Indicators 1-3

Results

- 1. Was the district's annual financial report (CAFR) completed and submitted to TEA by the deadline established by TEA?**
 - Asks whether the CAFR was submitted to TEA on time (12/28/14)
 - HISD submitted the 2014 CAFR on 11/25/14
- 2. Was there an unmodified opinion in the CAFR on the financial statements as a whole?**
 - A “modified” version of the auditor’s opinion would mean the district needs to correct reporting or financial controls.
 - HISD received an “unmodified” opinion from the auditor and passed this indicator.
 - This indicator communicates the district received a “clean audit.”
- 3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?**
 - This indicator seeks to make certain the district has paid all financing obligations.
 - HISD had no default disclosures in 2014 and passed this indicator.

Critical Indicator 4

- **Was the total unrestricted net asset balance in the governmental activities column in the Statement of Net Assets greater than zero?**
 - This indicator asks, “did the district’s total assets exceed the total amount of liabilities?”
 - HISD= Yes

Total Unrestricted Net Asset Balance	\$ 700,219,163
Accretion of Interest for Capital Appreciation Bonds	\$ 81,264,067
Pension Expense and Net Pension Liability	\$ -
Total	\$ 781,483,230
\$ 781,483,230	> 0

Fiscal Performance Indicator 5

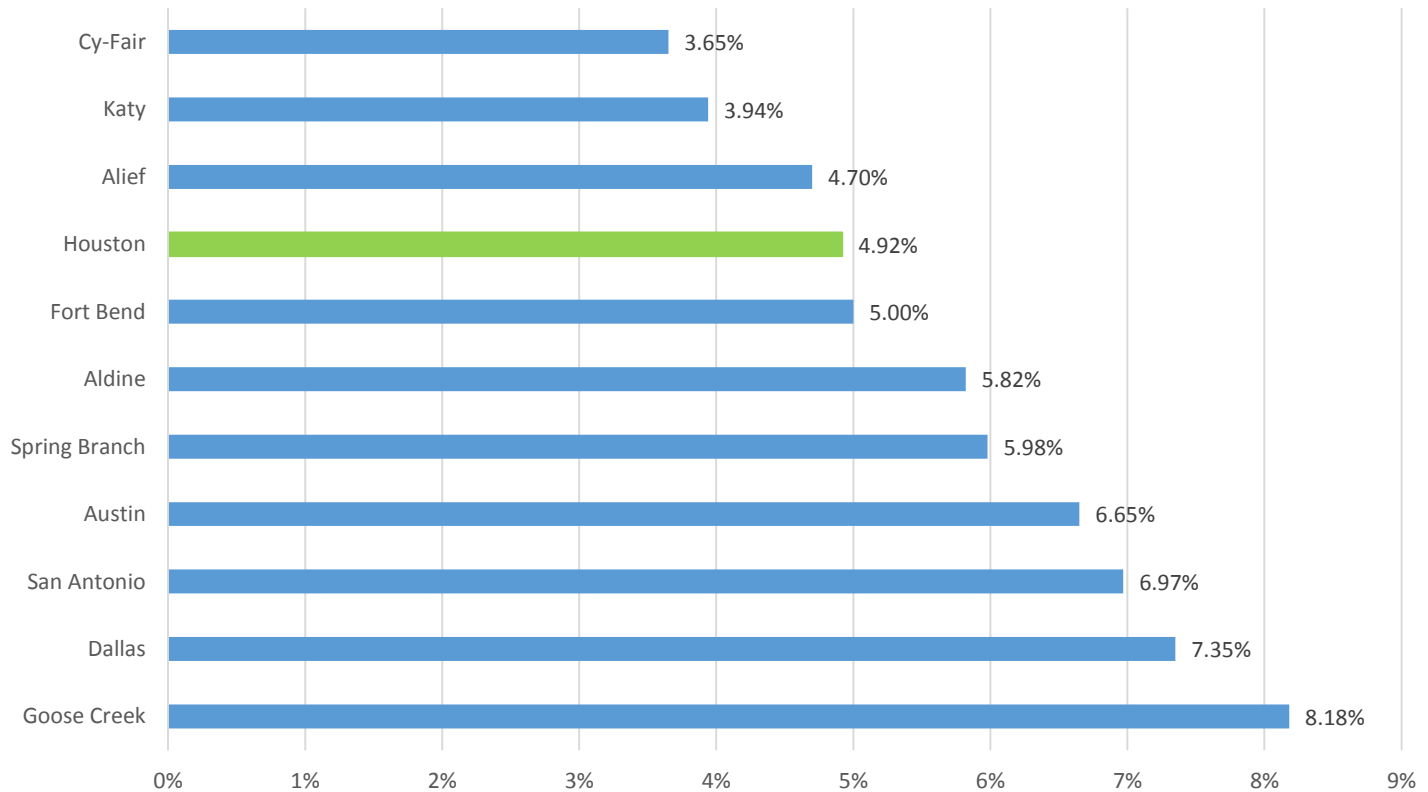
- **Was the administrative cost ratio equal to or less than the standard in state law?**
 - TEA and state law sets a cap on the percentage of the budget that Texas school districts can spend on administration. Indicator 5 asks, “did you exceed the cap for districts of your size?”
 - The cap is 11.05% for large districts.
 - In Fiscal Year 2013-2014, HISD’s ratio was 4.92%

Administrative Expenditures	\$ 45,916,833		
Function 21-Instructional Leadership			
Function 41- General Administration			
Instructional Expenditures	\$ 934,182,643		
Function 11- Instruction			
Function 12- Instructional Resource Media			
Function 13- Curriculum and Staff Development			
Function 31- Guidance and Counseling			
Administrative Cost Ratio	\$ 45,916,833	=	0.0492
	\$ 934,182,643		

Comparison Data	
2012-2013 Administrative Cost Ratio	0.0480

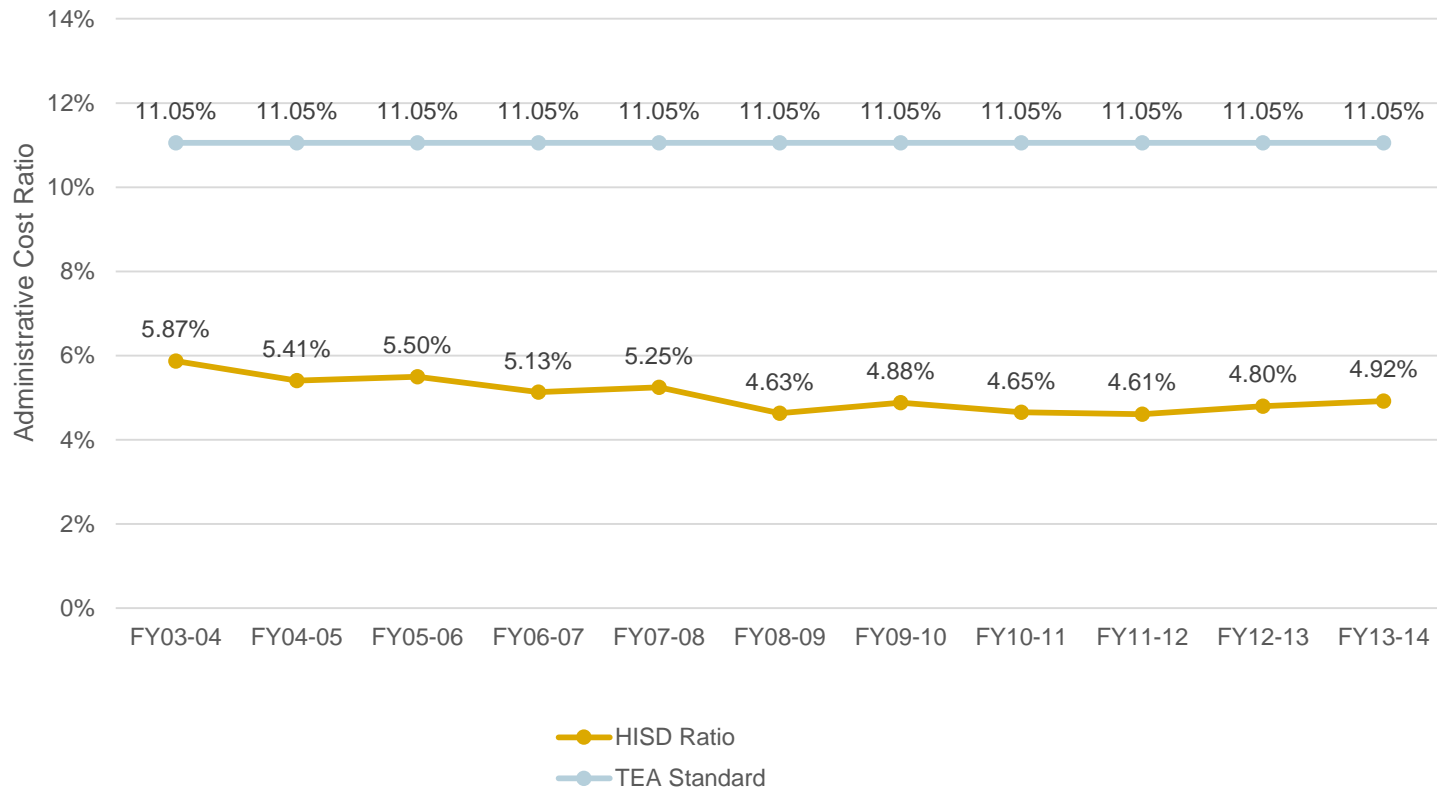
Fiscal Performance Indicator 5

Administrative Cost Ratio Comparison



Administrative Cost Indicator 5

History of Administrative Cost Indicator



PEIMS Data Variance Indicator 6

Did the comparison of PEIMS data to like information in the school district's CAFR result in total variance of <3% of all expenditures by function?

- This indicator measures the quality of data reported to PEIMS and in the CAFR to make certain that the data reported in each case “matches up.”
- HISD variance is < 0.03

Sum of Differences	\$	1,257
Total Expenditures	\$	1,587,153,189
Variance		<0.03

Indicator 7 Results

- **Did the external independent auditor report that the CAFR was free of instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?**
 - A clean audit would state the district has no material weaknesses in internal controls and can properly account for its use of public funds.
 - Auditors did not report weak internal controls, and HISD passed this indicator.

Management Report

Reimbursements (Board and Superintendent)

School FIRST Annual Financial Management Report

HOUSTON INDEPENDENT SCHOOL DISTRICT

Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing Subchapter AA, Commissioner's Rules Concerning Financial Accountability Rating System, Section 109.1005. Effective 2/3/11. The template has been established to help the districts in gathering their data and presenting it at their School FIRST hearing. The template may not be all inclusive.

Expenditures Paid on Behalf of Superintendent and School Board Members, Including Reimbursements

For the Twelve-Month Period Ended June 30, 2014

Description of Reimbursements	Dr. Terry B. Grier	Anna Eastman	Rhonda Skillern-Jones	Manual Rodriguez, Jr.	Paula M. Harris	Michael L. Luncford	Greg Meyers	Harvin C. Moore	Juliet K. Stipeche	Lawrence Marshall	Wanda Adams
		District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9	District 9
Meals	\$ 3,371.80	\$ 145.18	\$ 291.41	\$ 232.27	\$ 60.67	\$ -	\$ -	\$ 132.27	\$ 246.72	\$ 127.06	\$ 53.41
Lodging	3,487.54	200.70	3,020.21	1,483.98	1,387.98	481.78	-	1,011.27	1,036.09	385.30	1,342.72
Transportation	12,667.58	740.30	2,376.26	1,097.60	1,744.20	382.00	-	2,058.20	2,676.78	781.60	1003.8
Motor Fuel	402.08	-	-	-	-	-	-	68.44	27.01	-	-
Other	1,680.00	1,091.10	1,628.74	1,374.95	918.66	800.00	146.00	1,547.20	779.46	254.81	1330.95
Total	\$ 21,629.00	\$2,177.28	\$ 7,316.62	\$ 4,188.80	\$ 4,111.51	\$ 1,663.78	\$ 146.00	\$ 4,817.38	\$ 4,766.06	\$ 1,548.77	\$ 3,730.88

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, 2014

Name(s) of Entity(ies)	Amount Received
AASA's The Superintendent's Academy	\$ 6,000.00
Public Education Foundation	5,000.00
Total	\$ 11,000.00

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, 2014

Total	Anna Eastman	Rhonda Skillern-Jones	Manual Rodriguez, Jr.	Paula M. Harris	Michael L. Luncford	Greg Meyers	Harvin C. Moore	Juliet K. Stipeche	Lawrence Marshall
	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Business Transactions Between School District and Board Members

For the Twelve-Month Period Ended June 30, 2014

Amounts	Anna Eastman	Rhonda Skillern-Jones	Manual Rodriguez, Jr.	Paula M. Harris	Michael L. Luncford	Greg Meyers	Harvin C. Moore	Juliet K. Stipeche	Lawrence Marshall
	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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.

Superintendent's 2009 Employment Contract and
Amendments
included in presentation packet
as required

Thank you

Date: 11/12/2015

Presenter:

Glenn Reed

*General Manager, Budgeting and Financial
Planning*

