

# School FIRST

2016 Report for the 2014-2015 Fiscal Year

*Date: December 8, 2016*  
*Presenter: Glenn Reed*  
*General Manager, Budgeting and Financial*  
*Planning*



# 2014-2015 School FIRST Rating

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HOUSTON INDEPENDENT SCHOOL DISTRICT

## 2016 BOARD OF EDUCATION

Manuel Rodriguez, Jr., President  
Wanda Adams, First Vice President  
Diana Davila, Second Vice President  
Jolanda Jones, Secretary  
Rhonda Skillern-Jones, Assistant Secretary  
Anna Eastman  
Michael Lunceford  
Greg Meyers  
Harvin Moore

## ADMINISTRATION

Richard Carranza, Superintendent  
Kenneth Huewitt, Chief Financial Officer  
Sherrie Robinson, Controller  
Glenn Reed, General Manager, Budgeting and Financial Planning

# Purpose of School FIRST

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- Financial Integrity Rating System (FIRST)
- 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.
- Changes are being phased-in over three years
- 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.**

# School FIRST Objectives and Data

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## School FIRST Rating 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

## About the Data

The 2015-2016 HISD School FIRST rating released by TEA in the fall of 2016 is based on **2014-2015** data.

- Rating based on 15 indicators (new in 2016)
- District's School FIRST rating can impact special education determination status

# What is HISD's 2016 School FIRST Rating?

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**Houston Independent School District earned an “A” or “Superior”**

# HISD's 2016 School FIRST Rating Details

# Indicator 1, 2 and 14: CAFR

Indicator	Indicator Description	HISD Status
1. Was the complete CAFR and data submitted to TEA within 30 days of the deadline?	<b>Did HISD meet it's CAFR submission deadline, 12/28/2015?</b>	CAFR Submitted 11/20/2015  <b>Passed</b>
2.A. Was there an unmodified opinion in the AFR on the financial statements as a whole?	<b>A "modified" version of the auditor's opinion would mean the district needs to correct reporting or financial controls.</b>	HISD received an Unmodified Opinion  <b>Passed</b>
2.B. 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?	<b>This indicator asks if the district had a clean audit and had no material weaknesses in internal controls.</b>	HISD had no material weaknesses in internal controls  <b>Passed</b>
14. 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?	<b>A clean audit states the district has no material weaknesses in internal controls</b>	<b>Passed</b>

# Indicators 3 and 4: Timely Payments

Indicator	Indicator Description	HISD Status
3. Was the school district in compliance with the payment terms of all debt agreements at the fiscal year end?	<b>Did the district pay all bills/obligations on time?</b>	HISD had no default disclosures <b>Passed</b>
4. Did the school district make timely payments to TRS, WFC, the IRS, and other government agencies?	<b>Did the district fulfill its obligation to the TRS, WFC, and IRS to transfer payroll withholdings and other payroll-related obligations?</b>	All HISD payments to government agencies were timely <b>Passed</b>



# Indicator 5: Unrestricted Net Assets

Criteria	Indicator Description	HISD Status
5. Was the unrestricted net asset balance (net of the accretion of interest for capital appreciation bonds) in the government activities column in the Statement of Net Assets greater than zero?	Did the district's total assets exceed the total amount of liabilities?	Passed

## Unrestricted Net Assets

Total Unrestricted Net Asset Balance	\$	536,765,712
Accretion of Interest for Capital		
Appreciation Bonds	\$	57,121,110
Pension Expense	\$	8,858,621.00
Net Pension Liability	\$	287,986,184.00
<b>Total</b>	<b>\$</b>	<b>890,731,627</b>

<b>\$ 890,731,627 &gt; 0</b>
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# Indicator 6: Cash-on-Hand

Criteria	Indicator Description	HISD Status
6. Was the number of days cash-on-hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?	How long, in days, after the fiscal year ended could the district have operated without new revenue?	10 points

## Cash-on-Hand

Cash and Equivalents	\$	4,760,351
Current Investments	\$	725,925,995
<b>Cash and Investments</b>	<b>\$</b>	<b>730,686,346</b>
Total Expenditures	\$	1,663,912,332
Facilities Acquisition and Constr	\$	(571,723)
<b>Operating Expenditures</b>	<b>\$</b>	<b>1,663,340,609</b>

## Rating Scale

Points	Days
10	>=90
8	<90>=75
6	<74>=60
4	<60>=45
2	<45>=30
0	<30

<b>Days of Cash</b>	<b>160.3403</b>
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# Indicator 7: Current Assets to Liabilities

Criteria	Indicator Description	HISD Status
7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	Does the school district have sufficient assets at the end of the fiscal year to pay its short-term liabilities?	10 points

Assets/Liabilities	
Current Assets	\$ 2,086,606,092
Current Liabilities	\$ 496,275,543
<b>Ratio</b>	<b>4.2045</b>

Rating Scale	
Points	Ratio
10	>=3.00
8	<3.00 >=2.50
6	<2.50 >=2.00
4	<2.00 >1.50
2	<1.50 >=1.00
0	<1.00

# Indicator 8: Long-term Liabilities to Assets

Criteria	Indicator Description	HISD Status
8. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?	<b>Is the district's ratio of long-term liabilities to total assets sufficient?</b>	<b>10 points</b>

## Long-Term Liabilities to Total Assets

Long Term Liabilities	\$	3,024,314,608
Net Pension Liabilities	\$	(287,986,184)
<b>Liabilities</b>	<b>\$</b>	<b>2,736,328,424</b>

Liabilities	\$	2,736,328,424
Total Assets	\$	5,371,243,450

<b>Ratio</b>	<b>0.509</b>
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## Rating Scale

Points	Ratio
<b>10</b>	$\leq 0.60$
<b>8</b>	$0.60 < \text{Ratio} \leq 0.70$
<b>6</b>	$0.70 < \text{Ratio} \leq 0.80$
<b>4</b>	$0.80 < \text{Ratio} \leq 0.90$
<b>2</b>	$0.90 < \text{Ratio} < 1.00$
<b>0</b>	$\text{Ratio} > 1.00$

# Indicator 9: General Fund Revenues to Expenditures

Criteria	Indicator Description	HISD Status
9. Did the district's general fund revenue equal or exceed expenditures (excluding facilities acquisition and construction)?	<b>Did the district spend more than it earned within the General Fund?</b>	<b>10 points</b>

## General Fund Revenues to Expenditures

Total General Fund Revenue	\$	1,756,882,332
Total Expenditures Less Facilities, Acquisition, and Expenditures	\$	1,663,340,609
<b>Ratio</b>		<b>0.0562</b>

## Rating Scale

Points	Ratio
10	>0
0	<0

# Indicator 10: Debt Service Coverage Ratio

Criteria	Indicator Description	HISD Status
10. Was the debt service coverage ratio sufficient to meet the required debt service?	<b>This indicator asks about the district's ability to make debt principal and interest payments.</b>	<b>0 points</b>

## Debt Service Coverage Ratio

Total Revenues	\$	1,995,284,002
Total Expenditures	\$	(2,657,205,544)
Debt Service (Functions 71,72,73)	\$	993,328,758
Fund 599 (Debt Service Fund Balance)	\$	125,699,276
Facilities Acquisition and Construction (Function 81)		571,723
<b>Total</b>	<b>\$</b>	<b>457,678,215</b>
Total	\$	457,678,215
Debt Service (functions 71,72,73)	\$	993,328,758

## Rating Scale

Points	Ratio
10	$\geq 1.20$
8	$< 1.20 \geq 1.15$
6	$< 1.15 \geq 1.10$
4	$< 1.10 \geq 1.05$
2	$< 1.05 \geq 1.00$
0	$< 1.00$

<b>Ratio</b>	<b>0.4608</b>
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### NOTES:

- TEA's methodology does not account for the revenues related to the refunding of bonds, only the payment. **HISD would pass this indicator** if the revenues, which are recorded as other financing sources, were included to offset the expenditures.
- HISD is currently challenging TEA on the methodology used to calculate this indicator.
- The district's external auditor has reviewed HISD's treatment of current and advanced refundings under GAFR standards.

# Indicator 11: Administrative Cost Ratio

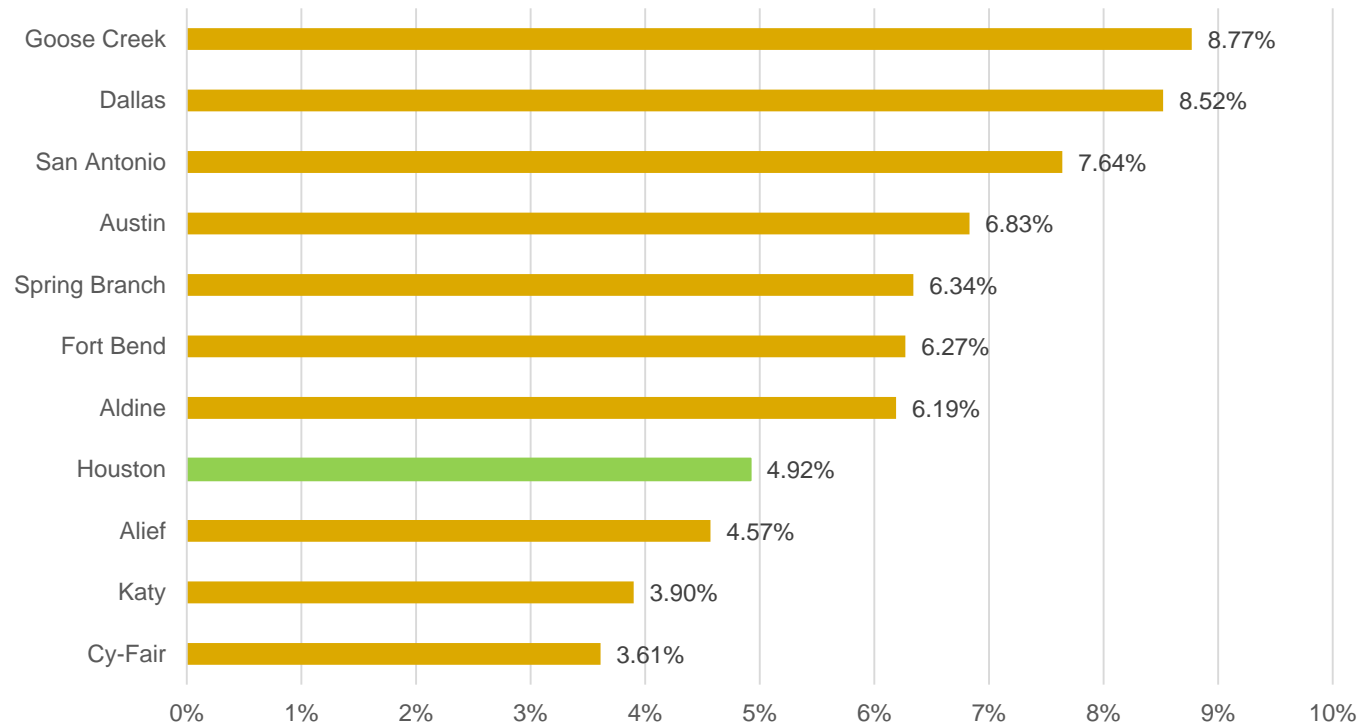
Criteria	Indicator Description	HISD Status
11. Was the district's administrative cost ratio equal to or less than the threshold?	<p><b>TEA sets a cap on the percent of the district's budget that can be spent on administration.</b></p> <p><b>To receive 10 points, a district of HISD's size must have a ratio of less than 0.0855 (8.55%).</b></p>	<p><b>Ratio= 4.92%</b></p> <p><b>10 points</b></p>

## 2014-2015 Administrative Cost Ratio

<b>Administrative Expenditures</b>	\$	<b>48,380,132</b>	
Function 21-Instructional Leadership			
Function 41- General Administration			
<b>Instructional Expenditures</b>	\$	<b>982,699,884</b>	
Function 11- Instruction			
Function 12- Instructional Resource Media			
Function 13- Curriculum and Staff Development			
Function 31- Guidance and Counseling			
Administrative Cost Ratio	\$	<b>48,380,132</b>	= <b>0.0492</b>
	\$	<b>982,699,884</b>	

# Administrative Cost Ratio Comparison

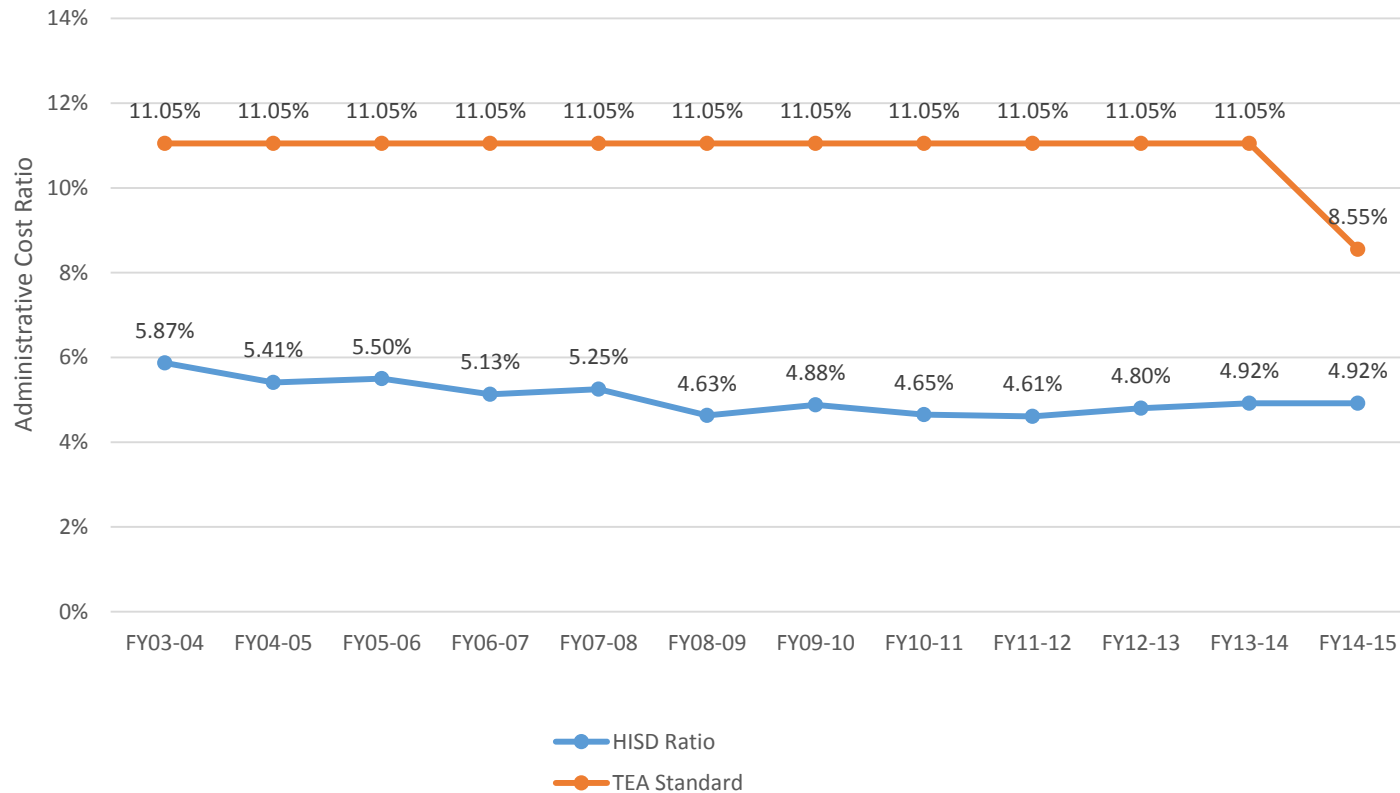
2014-2015 Administrative Cost Ratio Comparison





# HISD Administrative Cost History

History of Administrative Cost Indicator



# Indicator 12: Decline in Student-to-Staff Ratio (if Enrollment Decline)

Criteria	Indicator Description	HISD Status
11. Did the school district NOT have a 15 percent decline in the student to staff ratio over three years?	<p><b>If the district had a decline in students over 3 years, this indicator asks if the school district decreased the number of staff proportionally.</b></p> <p><b>The district automatically passes if no decline in students</b></p>	<p>Enrollment grew 11,871</p> <p>Ratio Decline 0.67%</p> <p><b>10 Points</b></p>

## Decline in Student-to-Staff Ratio

### 2014-2015

Total Enrollment	215,225
Number FTE Staff	23,603.1002
<b>2014-2015 Ratio</b>	<b>9.119</b>

### 2012-2013

Total Enrollment	203,354
Number FTE Staff	22,152.0572
<b>2012-2013 Ratio</b>	<b>9.180</b>

<b>Decline in Ratio</b>	<b>-0.0067</b>
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# Indicator 13: PEIMS Data Comparison

Criteria	Indicator Description	HISD Status
13. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the district's CAFR result in total variance of less than 3% of expenditures	<b>Did the financial data the district submitted to PEIMS "match-up" to the CAFR?</b>	<b>10 Points</b>

## PEIMS Data Comparison

Sum of Differences	8,406,460
All Data	1,655,505,872

<b>Ratio</b>	<b>0.0051</b>
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## Rating Scale

Points	Ratio
10	<0.03
0	>0.03

# Indicator 15: State Aid Repayment

Criteria	Indicator Description	HISD Status
14. Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	<b>Did the district have to ask for an easy payment plan to return monies to TEA after spending the overpayment from the Foundation School Program (State Aid)?</b>	<b>No</b> <b>10 points</b>

# District Performance Summary

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Indicator	Score
1	Pass
2	Pass
2.A	Pass
2.B	Pass
3	Pass
4	Pass
5	Pass
6	Pass
7	10
8	10
9	10
10	0
11	10
12	10
13	10
14	10
15	10
<b>Weighted Score</b>	<b>90</b>

**Overall, Houston Independent School District received a weighted score of 90/100 and earned an “A” or “Superior” School FIRST Rating.**

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# Management Report

# Reimbursements (Board and Superintendent)

## Reimbursements Received by the Superintendent and Board Members

For the Twelve-Month Period  
Ended June 30, 2015

Description of Reimbursements	Dr. Terry B. Grier	Anna Eastman District 1	Rhonda Skillern- Jones District 2	Manual		Paula M. Harris District 4	Michael L. Lunceford District 5	Greg Meyers District 6	Harvin C. Moore District 7	Juliet K. Stipeche District 8	Wanda Adams District 9
				Rodriguez, Jr. District 3							
Meals	\$ 1,001.69	\$ 172.80	\$ 272.54	\$ 21.49	\$ -	\$ 15.70	\$ 215.38	\$ 94.86	\$ 164.22	\$ 148.78	
Lodging	\$ 3,653.42	524.42	2,420.33	658.74	569.76	253.68	1,240.55	733.45	1,349.14	2,299.13	
Transportation	\$ 10,172.93	1,567.28	5,543.12	383.40	850.70	1,433.25	1,102.75	890.90	2,626.85	2,978.11	
Motor Fuel	\$ 62.69	256.53	-	55.96	-	-	-	80.61	424.22	-	
Other	\$ 2,329.24	1,140.55	1,758.79	325.00	-	1,255.42	50.00	577.00	375.00	1,427.54	
<b>Total</b>	<b>\$ 17,219.97</b>	<b>\$ 3,661.58</b>	<b>\$ 9,994.78</b>	<b>\$ 1,444.59</b>	<b>\$ 1,420.46</b>	<b>\$ 2,958.05</b>	<b>\$ 2,608.68</b>	<b>\$ 2,376.82</b>	<b>\$ 4,939.43</b>	<b>\$ 6,853.56</b>	

## 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, 2015

Name(s) of Entity(ies)	Amount Received
AASA's The Superintendent's Academy	\$6,000
University of Northern Alabama	\$3,000
Devos Foundation	\$5,000
	-
<b>Total</b>	<b>\$14,000</b>

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, 2015

Dr. Terry B. Grier	Anna Eastman District 1	Rhonda Skillern- Jones District 2	Manual		Paula M. Harris District 4	Michael L. Lunceford District 5	Greg Meyers District 6	Harvin C. Moore District 7	Juliet K. Stipeche District 8	Wanda Adams District 9
			Rodriguez, Jr. District 3							
					Did not disclose	\$ -	\$ -	\$ -	Did not disclose	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>Did not disclose</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>Did not disclose</b>	<b>\$ -</b>

## Business Transactions Between School District and Board Members

For the Twelve-Month Period  
Ended June 30, 2015

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

**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.

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



# Thank you

*Date: December 8, 2016*

*Presenter:*

*Glenn Reed*

*General Manager, Budgeting and Financial  
Planning*

