

School FIRST

2017 Report for the 2015-2016 Fiscal Year

Date: December 14, 2017
Presenter: Rene Barajas
Chief Financial Officer



2015-2016 School FIRST Rating

HOUSTON INDEPENDENT SCHOOL DISTRICT

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Purpose of School FIRST

- Financial Integrity Rating System (FIRST)
- Expands the public education accountability system in Texas to the Financial Services.
- Originated by SB 875 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

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 HISD School FIRST rating released by TEA in the November 2017 is based on **2015-2016** financial data.

What is HISD's 2017 School FIRST Rating?

Houston Independent School District earned a rating of **A, or Superior**

Houston ISD's 2017 School FIRST Rating Details

Indicators 2 and 14: CAFR

Indicator	Indicator Description	HISD Status
<p>2.A. Was there an unmodified opinion in the AFR on the financial statements as a whole?</p>	<p>A “modified” version of the auditor’s opinion would mean the district needs to correct reporting or financial controls.</p>	<p>HISD received an Unmodified Opinion</p> <p>Passed</p>
<p>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?</p>	<p>This indicator asks if the district had a clean audit and had no material weaknesses in internal controls.</p>	<p>HISD had no material weaknesses in internal controls</p> <p>Passed</p>
<p>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?</p>	<p>A “clean” audit indicates the district had no material weaknesses in internal controls</p>	<p>Passed</p>

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?	Did the district pay all bills/obligations on time?	HISD had no default disclosures Passed
4. Did the school district make timely payments to Teacher Retirement System (TRS), Texas Workforce Commission (TWC), the Internal Revenue Service (IRS), and other government agencies?	Did the district fulfill its obligation to the TRS, TWC, and IRS to transfer payroll withholdings and other payroll-related obligations?	All HISD payments to government agencies were timely Passed

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

Total Unrestricted Net Asset Balance	\$	604,451,655
Accretion of Interest for Capital Appreciation Bonds	\$	16,790,414
Net Pension Liability	\$	299,723,414.00
Total	\$	920,965,483
\$	920,965,483	> 0

Indicator 6: Cash-on-Hand

Criteria	Indicator Description	HISD Status
6. 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)?	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	\$	3,346,093
Current Investments	\$	728,029,902
Cash and Investments	\$	731,029,902
Total Expenditures	\$	1,745,118,145
Facilities Acquisition and Construction	\$	(2,969,217)
Operating Expenditures	\$	1,742,148,928

Rating Scale

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

Days of Cash	153
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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?	Is the district's ratio of long-term liabilities to total assets sufficient?	10 points

Liabilities	\$	2,761,743,978
Total Assets	\$	5,759,428,945

Ratio	0.4795
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Rating Scale

Points	Ratio
10	≤ 0.60
8	$> 0.60 \leq 0.70$
6	$> 0.70 \leq 0.80$
4	$> 0.80 \leq 0.90$
2	$> 0.90 < 1.00$
0	> 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)?	Did the district spend more than it earned within the General Fund?	10 points

General Fund Revenues to Expenditures

Revenue	\$	1,824,553,174
Expenditures Less Facilities, Acquisition, and Construction	\$	1,742,148,928

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?	This indicator asks about the district's ability to make debt principal and interest payments.	0 points

Debt Service Coverage Ratio

Total Revenues in the General and Debt Funds	\$	2,083,647,367
Total Expenditures in the General and Debt Funds	\$	(2,234,436,187)
Debt Service (Functions 71,72,73)	\$	503,264,825
Debt Service Fund Balance	\$	123,124,995
Facilities Acquisition and Construction (Function 81)		2,969,217
Net Operating Income	\$	478,570,217
Net Operating Income	\$	457,678,215
Debt Service (functions 71,72,73)	\$	503,264,825

Ratio	0.9509
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Rating Scale

Points	Ratio
10	≥ 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

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 ratio?	<p>The TEA established guidelines on the percent of the district's budget that can be spent on administration.</p> <p>To receive 10 points, a district of HISD's size must have a ratio of less than 0.0855 (8.55%).</p>	<p>Ratio= 4.97%</p> <p>10 points</p>

2015-2016 Administrative Cost Ratio

Administrative Expenditures	\$	52,256,704	
Function 21-Instructional Leadership			
Function 41- General Administration			
Instructional Expenditures	\$	1,051,570,515	
Function 11- Instruction			
Function 12- Instructional Resource Media			
Function 13- Curriculum and Staff Development			
Function 31- Guidance and Counseling			
Administrative Cost Ratio	\$	52,256,704	= 0.0497
	\$	1,051,570,515	

HISD Administrative Cost History



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 Comprehensive Annual Financial Report (CAFR) result in total variance of less than 3% of expenditures?	Did the financial data the district submitted to PEIMS agree with data in the CAFR?	10 Points

PEIMS Data Comparison

Sum of Differences \$540
 All Data \$1,745,117,881

Percent	0
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Rating Scale

Points	Ratio
10	<0.03
0	>0.03

District Performance Summary

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
Weighted Score	90

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