
Houston ISD 2019-2020 Financial Integrity Rating System of Texas Financial Management Report

Based on Fiscal Year 2018-2019

December 2020



Financial Integrity Rating System of Texas (FIRST)

According to the Texas Education Agency (TEA), the School Financial Integrity Rating System of Texas, or School FIRST, is the state's financial accountability rating system used to

ensure that Texas public schools are held accountable for the quality of their financial management practices and that they improve those practices. The system is designed to encourage Texas public schools to better manage their financial resources to provide the maximum allocation possible for direct instructional purposes.¹

When School FIRST ratings are released by TEA, school districts are required to hold a public meeting to distribute a financial management report that details the district's School FIRST performance for each indicator used in the rating system, both for the current and previous year's FIRST rating. In addition, districts are required to provide supplemental financial information.

What follows is the financial management report and supplemental financial information for the Houston Independent School District (HISD) as required under Texas Education Code, Chapter 39, Subchapter D and the Commissioner's Rules under 19 Texas Administrative Code, Chapter 109, Subchapter AA, Division 1, Financial Accountability Rating System. In addition, the detailed calculation for each indicator is provided in the District Status Detail section that concludes this report.

¹https://tea.texas.gov/Finance_and_Grants/Financial_Accountability/Financial_Integrity_Rating_System_of_Texas_FIRST

Indicators and Scores

The School FIRST assigns either a “Yes/No” response to the first five indicators (with indicator 2 having an A and B component) and a numerical score to the remaining ten indicators. The table below shows each indicator and how HISD performed for the 2019-2020 School FIRST as well as the previous year’s performance.

Indicator	Description	2019-2020 Score	2018-19 Score
1	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?	Yes	Yes
2.A	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.)	Yes	Yes
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? (The AICPA defines material weakness.)	No	No

Indicator	Description	2019-2020 Score	2018-19 Score
3	<p>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 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.)</p>	Yes	Yes
4	<p>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?</p>	Yes	Yes
5	<p>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 Position greater than zero? (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.)</p>	For 2019-20, this indicator is not being scored.	For 2018-19, this indicator is not being scored.

Indicator	Description	2019-2020 Score	2018-19 Score
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)?	10	10
7	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?	10	10
8	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.)	10	10
9	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?	10	10
10	Was the debt service coverage ratio sufficient to meet the required debt service?	10	0
11	Was the school district's administrative cost ratio equal to or less than the threshold ratio?	10	10

Indicator	Description	2019-2020 Score	2018-19 Score
12	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.)	10	10
13	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?	10	10
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? (The AICPA defines material noncompliance.)	10	10
15	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 a financial hardship?	10	10
	Total Score	100	90

Based on the total score received, a school district will receive between an A, indicating a Superior rating and an F, indicating a Substandard Achievement rating. TEA's rating matrix is shown below.

TEA DETERMINATION OF RATING

Did the district answer 'No' to Indicators 1, 3, 4, or 2.A? If so, the school district's rating is F for Substandard Achievement regardless of points earned.

Determine the rating by the applicable number of points. (Indicators 6-15)

A = Superior 90-100

B = Above Standard 80-89

C = Meets Standard 60-79

F = Substandard Achievement <60

Based on a score of 100 received, HISD earned an A, or Superior rating, for the 2019-20 School FIRST. This is a 10 percent increase in the rating over last year.

Notes on Indicator #2.B

HISD did not receive an affirmative response to Indicator 2.B as a result of an audit finding in 2018-19, concerning a material weakness related to board governance and accruals for two invoices related to capital project expenditures. The weakness for board governance is still in litigation and the other was addressed by management and corrective action has taken place.

Required Supplemental Information

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 109.1001(q). Effective 8/1/2018. 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.

Superintendent's Current Employment Contract

A copy of the superintendent's current employment contract at the time of the School FIRST hearing is to be provided. In lieu of publication in the annual School FIRST financial management report, the school district may chose to publish the superintendent's employment contract on the school district's Internet site. If published on the Internet, the contract is to remain accessible for twelve months.

Reimbursements Received by the Superintendent and Board Members

For the Twelve-Month Period
Ended June 30, 2019

<u>Description of Reimbursements</u>	Dr. Grenita Lathan	Elizabeth	Rhonda	Sergio Lira	Jolanda	Sue	Holly Maria	Anne Sung	Diana	Wanda
		Santos	Skillern-Jones		Jones	Deigaard	Flynn Vilaseca		Davila	Adams
	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9	
Meals	0	21.59	110.87	114.5	70.81	33.03	254.21	182.21	86.48	35.82
Lodging	0	3276.72	3028.04	2987.88	464.06	521.02	2982.4	1585.18	1701.42	260.51
Transportation	446.96	284.94	8068.38	848.05	291.98	289.83	2194.3	608.72	1213.67	715.15
Motor Fuel	0	0	0	0	0	0	0	0	0	0
Other	1895.6	1159.62	1405.32	1035	1459.84	798.49	319.66	600.00	1431.4	633.94
Total	\$2,342.56	\$4,742.87	\$12,612.61	\$4,985.43	\$2,286.69	\$1,642.37	\$5,750.57	\$2,976.11	\$4,432.97	\$1,645.42

All "reimbursements" expenses, regardless of the manner of payment, including direct pay, credit card, cash, and purchase order are to be reported. Items to be reported per category include:
 Meals – Meals consumed out of town, and in-district meals at area restaurants (outside of board meetings, excludes catered board meeting meals).
 Lodging - Hotel charges.
 Transportation - Airfare, car rental (can include fuel on rental, taxis, mileage reimbursements, leased cars, parking and tolls).
 Motor fuel – Gasoline.
 Other: - Registration fees, telephone/cell phone, internet service, fax machine, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above.

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, 2019

<u>Name(s) of Entity(ies)</u>	Amount Received
	\$

Total	\$0.00
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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, 2019

	Elizabeth Santos	Rhonda Skillern-Jones	Sergio Lira	Jolanda Jones	Sue Deigaard	Holly Maria Flynn Vilaseca	Anne Sung	Diana Davila	Wanda Adams	
	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	District 9	
Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Note – An executive officer is defined as the superintendent, unless the board of trustees or the district administration names additional staff under this classification for local officials.

Business Transactions Between School District and Board Members

For the Twelve-Month Period

Ended June 30, 2019

	Elizabeth Santos	Rhonda Skillern-Jones	Sergio Lira	Jolanda Jones	Sue Deigaard	Holly Maria Flynn Vilaseca	Anne Sung	Diana Davila	Wanda Adams
	District 1	District 2	District 3	District 4	District 5	District 6	District 7	District 8	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.

SUPPLEMENTAL DUTIES AGREEMENT
FOR
INTERIM SUPERINTENDENT OF SCHOOLS

This Supplemental Duties Agreement for Interim Superintendent of Schools (“Agreement”) is made and entered into by and between the Houston Independent School District (“District” or “HISD”) and Dr. Grenita Lathan (“Lathan”).

WHEREAS, Mr. Richard Carranza has submitted his resignation as Superintendent of Schools effective at 11:59 p.m. on March 31, 2018, and the HISD Board of Education (“Board”) accepted this resignation at its regular meeting on March 22, 2018;

WHEREAS, on March 22, 2018, the Board appointed Lathan to serve as Acting Superintendent of Schools through March 31, 2018, and as Interim Superintendent of Schools on an at-will basis thereafter, such appointment as Interim Superintendent of Schools to be effective at 12:01 a.m. on April 1, 2018, and Lathan has accepted such appointment; and

WHEREAS, Lathan currently is employed by the District on an Administrator Performance Contract, and she is assigned as Chief Academic Officer;

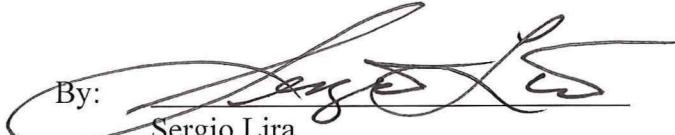
NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the parties agree as follows:

1. During the time she serves as Interim Superintendent, Lathan shall perform the duties of Superintendent of Schools as prescribed in law and Board policy, as they currently exist or as they hereinafter may be adopted or amended, and will devote her full time and energy to the performance of these duties in a faithful, diligent and efficient manner.
2. In addition to her current compensation and benefits, during the time she serves as Interim Superintendent Lathan shall receive:
 - a. An additional \$4,810.00 of base salary per pay period;
 - b. Five (5) additional personal leave days, for which, if unused at the end of the current fiscal year, the District shall pay Lathan in a lump sum calculated by each day times her daily rate under this Agreement.
3. Lathan’s appointment as Interim Superintendent is temporary, at-will, and at the pleasure of the Board. Lathan does not have a property interest in, nor any legally recognizable or enforceable expectation of, continued service in the position of Interim Superintendent. The Board may terminate this Agreement at any time by appropriate Board action and written notice to Lathan. If not terminated sooner, this Agreement terminates automatically when the Board employs a new Superintendent of Schools and that person begins to perform the duties of Superintendent.


4. Upon termination of this Agreement, Lathan will be entitled to the compensation and benefits of her Administrator Performance Contract, and she will return to her assignment as Chief Academic Officer, unless the Parties mutually agree in writing to a different arrangement.
5. This Agreement shall be governed by the laws of the State of Texas, and it shall be performable in Harris County, Texas, unless otherwise provided by law. Venue for any dispute concerning the interpretation or enforcement of this Agreement shall be in Harris County, Texas.
6. This Agreement contains the entire understanding and agreement of the parties regarding Lathan's appointment and service as Interim Superintendent. This Agreement may be amended or modified by subsequent written agreement signed by the parties.

HOUSTON INDEPENDENT SCHOOL DISTRICT

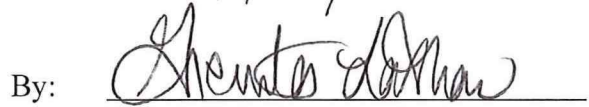
AGREED AND APPROVED:

By: 
 Sergio Lira
 Secretary, Board of Education

Date: 4-12-2018

By: 
 Rhonda Skillern-Jones
 President, Board of Education


Date: 4/12/18

By: 
 Grenita Lathan
 Interim Superintendent

Date: 4/12/18

APPROVED AS TO FORM:

COUNSEL FOR HOUSTON INDEPENDENT SCHOOL DISTRICT

By: 
 David Thompson
 Board Counsel

4/12/2018
 Date

CHIEF FINANCIAL OFFICER

By: 
 Rene Barajas
 Chief Financial Officer

4-12-2018
 Date

District Status Detail

RATING YEAR

2019-2020

DISTRICT NUMBER

district #

Select An Option

Help

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Financial Integrity Rating System of Texas

2019-2020 RATINGS BASED ON SCHOOL YEAR 2018-2019 DATA - DISTRICT STATUS DETAIL

Name: HOUSTON ISD (101912)	Publication Level 1: 8/6/2020 9:26:37 AM
Status: Passed	Publication Level 2: 8/6/2020 11:17:34 AM
Rating: A = Superior	Last Updated: 8/6/2020 11:17:34 AM
District Score: 100	Passing Score: 60

#	Indicator Description	Updated	Score
1	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?	3/31/2020 1:12:38 PM	Yes
2	Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.		
2.A	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.)	3/31/2020 1:12:38 PM	Yes
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? (The AICPA defines material weakness.)	3/31/2020 1:12:38 PM	No
3	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 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.)	3/31/2020 1:12:38 PM	Yes
4	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?	3/31/2020 1:12:39 PM	Yes
5	This indicator is not being scored.		
			1 Multiplier Sum
6	Was the number of days of cash on hand and current investments in the general fund for the	3/31/2020	10

	<u>school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? (See ranges below.)</u>	1:12:42 PM	
7	<u>Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)</u>	3/31/2020 1:12:42 PM	10
8	<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 students in membership over 5 years was 7 percent or more, then the school district passes this indicator. See ranges below.</u>	3/31/2020 1:12:43 PM	10
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?</u>	3/31/2020 1:12:43 PM	10
10	<u>Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)</u>	7/10/2020 1:10:34 PM	10
11	<u>Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)</u>	3/31/2020 1:12:45 PM	10
12	<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>	3/31/2020 1:12:46 PM	10
13	<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?</u>	3/31/2020 1:12:48 PM	10
14	<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>	3/31/2020 1:12:49 PM	10
15	<u>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 a financial hardship?</u>	3/31/2020 1:12:49 PM	10
			100 Weighted Sum
			1 Multiplier Sum
			100 Score

DETERMINATION OF RATING

A.	Did the district answer 'No' to Indicators 1, 3, 4, or 2.A? 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. (Indicators 6-15)				
	<table border="1"> <tr> <td>A = Superior</td> <td>90-100</td> </tr> <tr> <td>B = Above Standard</td> <td>80-89</td> </tr> </table>	A = Superior	90-100	B = Above Standard	80-89
A = Superior	90-100				
B = Above Standard	80-89				

C = Meets Standard

60-79

F = Substandard Achievement

<60

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.

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THE **TEXAS EDUCATION AGENCY**
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FIRST 5.9.1.0