



ANNUAL FINANCIAL MANAGEMENT REPORT

FISCAL YEAR ENDING AUGUST 31, 2023

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REPORTS ONLINE



INTRODUCTION

Senate Bill (SB) 218 of the 77th Legislature (2001) authorized the implementation of a financial accountability rating system, officially referred to as Schools FIRST (Financial Integrity Rating System of Texas) for Texas public school districts. The primary goal of Schools FIRST is to improve the management of school districts' financial resources.

Beginning with fiscal years 2006-2007, the financial accountability rating of a school district was based on its overall performance on certain financial measurements, ratios and other indicators established by the commissioner of education in the financial accountability rating form provided in the subsection entitled School FIRST Rating.

Harris County Department of Education (HCDE) does not receive a Schools FIRST Rating; however, it has adopted the Annual Financial Management Report format mandated by Texas Administrative Code, Chapter 109, Budgeting, Accounting, and Auditing – in an effort to provide as much financial information as possible to tax payers, grantors and the educational community.

The disclosure worksheets used in this report were developed by representatives of the Texas Education Agency, the Texas Business & Education Coalition and the Texas Association of School Business Officials. Other information regarding the Department's financial accountability is also included.

Additional information was adopted from the TEA School First rating system and some indicators that are not applicable to HCDE due to the nature of the organization and the services provided. HCDE does not receive a rating from TEA; therefore, a rating is not included in this report.

HCDE continues to enhance its services and provide transparent financial information that can be used by the public.

The HCDE Business Office continues to meet the indicators and standards set by the Texas Education Agency in an effort to provide accountability and transparency of all public funds in the most efficient manner.

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MISSION STATEMENT

Harris County Department of Education: Advancing Excellence in Partnership with the Educational Community

GOALS

Harris County Department of Education will:

- Implement research initiatives assessing community educational needs.
- Partner with businesses to research career readiness.
- Develop effective programs securing/promoting educational success for every learner.
- Gather data informing the educational community of proven strategies.
- Create innovative delivery systems and models promoting learning.
- Inform, educate, and train educators.
- Leverage resources for the best outcomes.

CORE BELIEFS

- We believe that ALL students can learn.
- We believe in promoting safe and caring environments where individuals and organizations can grow and succeed.
- We believe in equal educational opportunity.
- We believe in vision and innovation.
- We believe in collaborative community-based solutions.
- We believe in serving the educational community of Harris County with dignity and respect.
- We believe in meeting the needs and goals of our clients through trust and quality service.
- We believe in operating from a base of knowledge, expertise and resourcefulness.
- We believe in continually analyzing the effectiveness of services.
- We believe in optimizing all resources.

BOARD OF TRUSTEES



Andrea Duhon
President



Amy Hinojosa
1st Vice President



David Brown
2nd Vice President



Richard Cantu
Board Member



Erica Davis
Board Member



Eric Dick
Board Member



Danyahel Norris
Board Member

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PURPOSE OF THE ANNUAL FINANCIAL MANAGEMENT REPORT – AFMR

- Ensures that entities:
 - Will be held accountable for the quality of their financial management practices.
 - Will achieve improved performance in the management of their financial resources.
- Discloses the quality of local management and decision-making processes that impact the allocation of their financial resources.
- Encourages local management to better manage their financial resources.

REQUIRED DISCLOSURES – BASIS IN LAW

According to Section 109.1005 of the Texas Administrative Code:

- a. Each school district is required to report information and financial accountability ratings to parents and taxpayers by implementing the following reporting procedures.
 1. Each school district is required to prepare and distribute an annual financial management report in accordance with subsection (b) of this section.
 2. The public must be provided an opportunity to comment on the report at a public hearing in accordance with subsection (c) of this section.
- b. The annual financial management report prepared by the school district must include:
 1. A description of the district's financial management performance based on a comparison, provided by the Texas Education Agency (TEA), of the district's performance on the indicators established by the commissioner of education and reflected in §109.1002 of this title (relating to Financial Accountability Ratings). The report will contain information that discloses:
 - A) State-established standards.
 - B) The district's financial management performance under each indicator for the current and previous years' financial accountability ratings.
 2. Any descriptive information required by the commissioner of education, including:
 - A) A copy of the superintendent's current employment contract.
 - B) A summary schedule for the fiscal year (12-month period) of total reimbursements received by the superintendent and each board member, including transactions resulting from use of the Department's credit card(s) to cover expenses incurred by the superintendent and each board member.
 - C) A summary schedule for the fiscal year of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services.
 - D) A summary schedule for the fiscal year of the total dollar amount by the executive officers and board members of gifts that had an economic value of \$250 or more in the aggregate in the fiscal year.
 - E) A summary schedule for the fiscal year of the dollar amount by board members for the aggregate amount of business transactions with the school district.
 - F) A summary schedule of the data submitting using the electronic-based program developed under the financial solvency provisions of Texas Education Code, §39.0822.
 3. Any other information the board of trustees of the district determines to be useful.

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(A) Superintendent's contract-reproduced in full, beginning on page 9 (If Applicable).

(B) Reimbursements received by Superintendent & Board Members for HCDE business expenses:

DESCRIPTION	COLBERT	DUHON	HINOJOSA	BROWN	DAVIS	CANTU	DICK	NORRIS
MEALS	\$1,459.00	\$81.00	\$311.00	\$890.00	\$0.00	\$195.00	\$303.00	\$394.00
LODGING	7,589.00	675.00	472.00	3,738.00	711.00	985.00	0.00	2,225.00
TRANSPORTATION	4,067.00	1,308.00	717.00	2,128.00	503.00	528.00	508.00	1,451.00
BOARD MEMBER COMPENSATION	0.00	72.00	72.00	60.00	0.00	72.00	0.00	72.00
* OTHER	140,872.00	984.00	1,674.00	2,334.00	1,249.00	1,249.00	1,249.00	12,760.00
TOTAL:	\$153,986.00	\$3,120.00	\$3,246.00	\$9,150.00	\$2,463.00	\$3,029.00	\$2,060.00	\$16,902.00

* Other Includes registration fees, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above. The other category for the Superintendent includes expenses such as: \$72,833 in Benefits \$62,000 in Employee Allowance in addition to \$19,153 in lodging, transportation, registration fees, business meals, local mileage, workshop fees, and membership fees payments on behalf of the Superintendent.

(C) Outside compensation and/or fees received by Superintendent for professional consulting and/or other personal services:

NONE

(D) Gifts* received by Superintendent, Board Members, or first-degree relatives, if any:

*Gifts that had a value of \$250 or more in the aggregate in the fiscal year.

COLBERT	DUHON	HINOJOSA	BROWN	DAVIS	CANTU	DICK	NORRIS
NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE

(E) Business transactions between HCDE and Board Members:

DUHON	HINOJOSA	BROWN	DAVIS	CANTU	DICK	NORRIS
NONE	NONE	NONE	NONE	NONE	NONE	NONE

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Harris County
Department of
Education

(F) Summary Schedule of Data Submitted under the Financial Solvency Provisions of TEC §39.0822:

Account Title	Description	Object Code Series	Amount
Payroll	Expenditures for payroll	6110-6149	\$10,483,099
Contract Costs	Expenditures for services rendered by firms, individuals, and other organizations	6200	\$366,074
Supplies and Materials	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	6300	\$546,801
Other Operating	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	6400	\$3,853,258
Debt Service	Expenditures for debt service	6500	-
Capital Outlay	Expenditures for land, buildings, and equipment	6600	-

Note: General Fund - First Three Months of fiscal year 2023-2024

ADDITIONAL FINANCIAL SOLVENCY QUESTIONS

1) Districts with a September 1- August 31 fiscal year:

Within the last two years, did the school district

Yes No

- 1) draw funds from a short-term financing note (term less than 12 months) between the months of September and December, X
- 2) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund X

2) Has the school district declared financial exigency within the past two years? X

3) Provide comments or explanations for student-to-staff ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.

Not Applicable. The District continues to move forward servicing HCDE student and community.

4) How many superintendents has your school district had in the last five years? 1

5) How many business managers has your school district had in the last five years? 1

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1. Was the Annual Financial Report completed in a timely manner?

Pursuant to Texas Education Code, FISCAL MANAGEMENT-Chapter 44.008, ANNUAL AUDIT REPORT: "The annual audit report must be approved by the board...not later than the 180th day after the end of the fiscal year for which the audit was made."

YES. The Annual Financial Report for the fiscal year ended August 31, 2023, will be presented to the HCDE Board of Trustees for approval on January 17, 2024—within the timeframe mandated in law.

2. Was there an unmodified opinion in the Annual Financial Report?

An 'unmodified opinion' in the report would have meant that corrections were not needed in some of the reporting or financial controls. The Department's goal, therefore, is to receive an 'unmodified opinion' on its report.

YES. The independent auditors expressed an UNMODIFIED opinion on the Annual Financial Report for the fiscal year ending August 31, 2023.

3. Was the Department in compliance with the payment terms of all agreements at fiscal year end?

YES, the Department was in compliance with all agreements.

4. Did the Department make timely payments to the Teachers Retirement Systems (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?

YES, payments were made on a timely basis as required.

5. Was the total unrestricted net position balance in the statement of net position greater than \$0?

NO, HCDE's total unrestricted net position was (\$21,827,896) due to the implementation of GASB 75 net OPEB liability.

6. Was the average change in (assigned & unassigned) fund balance over 3 years less than a 25 percent decrease or did the current year assigned and unassigned fund balance exceed 75 days of operational expenditures?

YES, the change was -0.9%.

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7. Was the number of days of cash on hand and current investments in the general fund for the Department sufficient to cover operating expenditures (excluding facilities acquisition and construction)?

YES, HCDE had 126 days of cash on hand.

8. Was the measure of current assets to current liabilities ratio for the Department sufficient to cover short-term debt?

YES, the ratio was 4%.

9. Did the Department's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)?

YES, HCDE had \$2.9M revenue over expenditures.

10. Did the Department average less than a 10 percent variance when comparing budgeted revenues to actual revenues for the last 3 fiscal years?

YES, the average was -3%.

11. Was the ratio of long-term liabilities to total assets for the Department sufficient to support long term solvency?

YES, the ratio was 61%.

12. What is the correlation between future debt requirements and the Department's assessed property value?

The indicator is 1.76%.

13. Did the Annual Financial Report not disclose any instance(s) of material weaknesses in internal controls?

YES, internal control weaknesses create a risk that the Department would not be able to properly account for its use of public funds and should be immediately addressed. An independent audit is required to state if the entity had material weaknesses.

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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?

YES, the audit report did not identify any instances of material noncompliance.

15. Did the Department 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 Department's fiscal year end?

YES, financial information was posted to the website.

16. Did the Department's board members discuss the property values at a board meeting within 120 days before the budget was adopted?

YES, board members discussed property values and it was adopted on August 16, 2023. The property values were discussed monthly during FY 22-23.



It is the policy of Harris County Department of Education not to discriminate on the basis of race, color, national origin, gender, limited English proficiency, or handicapping condition(s) in its programs.

The Harris County Department of Education (HCDE) is dedicated to providing high-quality, cost-effective educational services to school districts, educators, government and non-profit organizations in Harris County.

Through schools for students with profound special needs, Head Start early childhood education, school-based therapy services and afterschool programs, HCDE supports all area school districts in meeting the needs of uniquely challenged learners while saving them millions of dollars each year through shared services. The Department is an innovative leader of literacy and workforce development programming for adult learners across the county. HCDE also provides various other educational support services including professional development for educators, school safety programs, educator certification, records management, and a national purchasing cooperative.

HCDE impacts an average of 150,000 students and educators each year. Using fees for service, grants, and the purchasing cooperative, HCDE turns one dollar of property taxes into five dollars of services.

HCDE is separate and distinct from other agencies of Harris County. The Department's primary service area covers 1,788 square miles but also provides support to school districts, education service centers and other governmental agencies across Texas and the nation.

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