

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the fiscal year ended August 31, 2017*

**Back of Front Cover**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF**  
**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**For the Fiscal Year Ended August 31, 2017**

**James Colbert, Jr.**  
**County School Superintendent**

Jesus J. Amezcua, Ph.D., CPA, RTSBA  
Assistant Superintendent for Business Support Services

Rosa Maria Torres, RTSBA  
Chief Accounting Officer



Harris County Department of Education  
6300 Irvington Blvd.  
Houston, Texas 77022



## **Mission Statement**

Harris County Department of Education supports Harris County by enriching educational opportunities and providing value through services.

## **Goals**

HCDE will:

- ❖ Impact education by responding to the evolving needs of Harris County
- ❖ Deliver value to Harris County by utilizing resources in an ethical, transparent, and fiscally responsible manner
- ❖ Advocate for all learners by using innovative methods to maximize students' potential.
- ❖ Provide cost-savings to school districts by leveraging tax dollars
- ❖ Recruit and maintain a high-quality professional staff

**HARRIS COUNTY DEPARTMENT OF EDUCATION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

**TABLE OF CONTENTS**

	<u>PAGE</u>	<u>EXHIBIT</u>
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal.....	1	
Certificate of Board .....	7	
Certificate of Achievement for Excellence in Financial Reporting.....	8	
Certificate of Excellence in Financial Reporting Award.....	10	
Principal Officials.....	12	
Organization Chart .....	13	
<b>FINANCIAL SECTION</b>		
Report of Independent Auditors' .....	15	
Management's Discussion and Analysis (Unaudited) .....	18	
<b>Basic Financial Statements:</b>		
<b>Government-wide Financial Statements:</b>		
Statement of Net Position.....	27	A-1
Statement of Activities .....	28	A-2
<b>Fund Financial Statements:</b>		
Balance Sheet-Governmental Funds .....	30	B-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	31	B-2
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds .....	32	B-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	34	B-4
Statement of Net Position-Proprietary Funds .....	35	B-5
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds.....	36	B-6
Statement of Cash Flows-Proprietary Funds .....	37	B-7
Statement of Fiduciary Assets and Liabilities-Fiduciary Fund .....	38	B-8
<b>Notes to the Basic Financial Statements</b> .....	39	B-9
<b>Required Supplementary Information:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual-General Fund.....	72	C-1
Schedule of the Departments Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas .....	74	C-2
Schedule of the Departments Contributions – Teacher Retirement System of Texas .....	75	C-3
Notes to the Required Supplementary Information .....	76	C-4
<b>Combining and Individual Fund Statements and Schedules:</b>		
Nonmajor Governmental Funds Overview .....	77	
Combining Balance Sheet-Nonmajor Governmental Funds.....	80	D-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds .....	86	D-2
Internal Service Funds Overview.....	91	
Combining Statement of Net Position-Internal Service Funds .....	92	D-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position-Internal Service Funds .....	93	D-4

## TABLE OF CONTENTS

	PAGE	EXHIBIT
FINANCIAL SECTION, continued		
Combining Statement of Cash Flows-Internal Service Funds .....	94	D-5
Fiduciary Funds Overview .....	95	
Statement of Changes in Assets and Liabilities-Fiduciary Fund .....	96	D-6
<b>Other Supplementary Information:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual-Debt Service Fund .....	97	E-1
Schedule of Delinquent Taxes Receivable .....	98	E-2
STATISTICAL SECTION (UNAUDITED)		
Table of Contents-Statistical Section .....	99	
Introduction to the Statistical Section .....	100	
<b>Financial Trends:</b>		
Net Position by Component .....	101	Table 1
Changes in Net Position .....	102	Table 2
Fund Balances of Governmental Funds .....	105	Table 3
Changes in Fund Balances-Governmental Funds .....	106	Table 4
Governmental Funds Revenues .....	107	Table 5
Governmental Funds Expenditures and Debt Service Ratio .....	108	Table 6
<b>Revenue Capacity:</b>		
Property Tax Levies and Collections .....	111	Table 7
Property Tax Rates-Direct and Overlapping Governments .....	112	Table 8
Assessed and Estimated Actual Value of Taxable Property .....	114	Table 9
Principal Taxpayers .....	115	Table 10
<b>Debt Capacity:</b>		
Ratio of Net General Bonded Debt Outstanding to Assessed Property Value, Percent of Personal Income and Debt per Capita .....	117	Table 11
Ratio of Annual Debt Service Expenditures by Type to Governmental Funds Expenditures .....	118	Table 12
Estimated County-wide Direct and Overlapping Bonded Debt .....	119	Table 13
<b>Demographic and Economic Information:</b>		
Demographic and Economic Statistics .....	121	Table 14
Miscellaneous Statistical Data .....	122	Table 15
Principal Employers .....	123	Table 16
<b>Operating Information:</b>		
Employees by Program .....	125	Table 17
Operational Indicators by Program .....	126	Table 18
Building Information .....	127	Table 19
Service Area and Locations-Description .....	128	Table 20
Service Area-Map: Harris County, Texas and 26 School Districts .....	129	Table 21





**Back of Introductory Section**



January 24, 2018

Harris County Board of School Trustees, Taxpayers of the Harris County,  
and Other Interested Parties:

Harris County Department of Education (Department, HCDE) is pleased to present its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2017 (CAFR). State law requires an annual audit to be completed within six months of the close of each fiscal year, and this report is published to fulfill that requirement. The purpose of the CAFR is to provide the Board of Trustees, management, staff, grantor agencies, citizens, the business community, and other interested parties with detailed information reflecting the Department's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn, L.L.P., have issued an unmodified opinion on the Harris County Department of Education's financial statements for the year ended August 31, 2017. The independent auditors' report is located at the front of the financial section of the report.

Management's discussion and analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of the Department**

Harris County Department of Education, incorporated in 1889, is a political subdivision of the State of Texas. HCDE is in Houston, Texas. Originally every county in Texas had its own department of education. Therefore, Harris County Department of Education was the first school district in Harris County, Texas.

While the name 'Harris County Department of Education' may cause some confusion from time to time for the public, it is important for the reader of these financial statements to know and understand that the Department is an entity separate and distinct from county agencies of Harris County, Texas. Also, today HCDE is not a school district but a local governmental entity. It has evolved in response to educational and community needs to provide educational services to students of all ages and school districts primarily within but also outside of Harris County, Texas. Harris County Department of Education is empowered to levy a property tax on both real and personal property located within its boundaries.

The Harris County Board of School Trustees (Board) is elected by voters of Harris County, Texas and has governance responsibilities over all activities and operations of the Department. The Board consists of seven members who serve overlapping six-year terms, with two members elected every two years.

The Department is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the Harris County Department of Education's financial planning and control. The budget is prepared by fund and program. Budget managers may transfer resources within the program budget as they see fit to meet their needs. The Board of Trustees must approve budget amendments that (1) increase or decrease the division budget and/or (2) identify a new revenue source.

The Department is a primary governmental unit and is not included in any other governmental reporting entity. There is a blended component unit, the Harris County Department of Education Public Facility Corporation (PFC), included within the reporting entity. There is also a discretely presented component unit, the Education Foundation of Harris County (EFHC), included in the government-wide statements. The EFHC was created to attract grant revenues from local foundations and other grantors to support the Department's programs.

### **Organizational Philosophy**

The core ideology of Harris County Department of Education outlines the direction of the Department and the expectation held for all employees. The mission defines what we are. Our core beliefs define our intent; and our goals define how we intend to achieve our mission.

### **Primary Services**

The Department's primary service area geographically covers 1,788 square miles within Harris County, Texas in the upper Texas Gulf Coast region. Harris County's population base includes a wide variety of racial, ethnic, and socio-economic groups that gives the area a rich diversity and cosmopolitan feel. The Department offers services to 25 rural, suburban, and urban school districts entirely or partially within its primary service area of Harris County. It also serves school districts and governmental agencies in surrounding counties, as well as schools, education service centers and other governmental agencies statewide.

Responding to and serving the needs of learners of all ages, socio-economic status, ethnic backgrounds, educational or development delays and at-risk behaviors requires the Department to be an institution of great flexibility as evidenced by the activities described below. Affordable and highly flexible programs and products are developed with clients in mind. Client population examples are:

- Academic and Behavior Schools serve children, youth, and young adults ages 5-22 with severe emotional disturbances, mental retardation, pervasive developmental disorders, and other health impairments. The Department serviced 267 and 254 students during fiscal year 2016 and 2017 respectively. This represents a 4.8% decrease due to lower demand from school districts. The Department projects to serve 274 students for FY 2018.
- Highpoint Schools serve adjudicated youth by providing intensive counseling and a technology-driven curriculum in a strict disciplinary environment. The Department serviced 564 and 442 students during fiscal year 2016 and 2017 respectively. This represents a 21% decrease due to lower demand from school districts. The Department projects to serve 480 students for FY 2018.
- School Based Therapy Services serves individuals ages 0-22 years of age with identified disability groups, diagnosed disabilities, developmental delays or at-risk for delays from diverse socio-economic families. The Department serviced 7,724 and 7,299 students during fiscal year 2016 and 2017 respectively. This represents a 5.5% decrease due to lower service contracts. The Department projects to serve 7,600 students for FY 2018.
- Head Start Program serves 3-5-year old economically disadvantaged children and their families, with over 10 percent of those having an identified disability requiring intervention. The Department serviced 1,447 and 1,647 students during fiscal year 2016 and 2017 respectively. This represents a 14% increase. The Department projects to serve 1,800 students for FY 2018.
- Adult Education Program prepares age 16-plus youths and adults to read and speak English, and/or to complete a high school General Equivalency Diploma (GED) education. The Department serviced 8,882 and 8,012 students during fiscal year 2016 and 2017 respectively. This represents a 9.8% increase due to funding cuts. The Department projects to serve 8,500 students for FY 2018.

- Center for After School, Summer and Expanded Learning (CASE) serves elementary, middle, and high school students delivering quality after-school learning opportunities. The Department serviced 13,782 and 17,326 students during fiscal year 2016 and 2017 respectively. This represents a 25% increase due to additional grant funding. The Department projects to serve over 18,000 students for FY 2018.
- The Teaching & Learning Center provides teaching and learning services to educators, administrators, support personnel, students, parents and the community. The Department delivered services to 7,527 and 6,264 educators during fiscal years 2016 and 2017 respectively. The Department projects to service over 7,500 educators in FY 2018.
- Choice Partners Cooperative offers best value resources and vendors, direct facility consulting services and quality, legal procurement and contract solutions to meet the purchasing needs of school districts, institutions of higher education, municipalities, counties and other government and non-profit organizations. In fiscal year 2016 and 2017, the Department services 1,156 and 1,294 members respectively. The Department is expected to serve 1,350 members in FY 2018.
- Records Management provides low cost, high tech solutions to store records for governmental entities. Its services include records controls scheduling, secured storage of hard copy records, imaging, microfilming, electronic document storage and eligible records destruction. The Department served 4,474 and 4,503 members in 2016 and 2017 respectively. For FY 2018 the Department expects to serve 4,600 members.
- Center for Safe & Secure Schools advances safe and secure environments in schools during emergency operations. It is a partner and participant on the county Emergency Operations System. The Department provides NIMS training, manages system of communication county-wide during school district and conducts safety reviews of school facilities. The Department served 16,183 and 233,191 students in 2016 and 2017 respectively, where facilities were audited for safety. For FY 2018 the Department expects to audit facilities where over 220,000 students attend school.

## Local Economy

Harris County Department of Education is in Harris County (County), Texas in the Gulf Coast region of Texas, approximately 50 miles north from the Gulf of Mexico. The county covers over 1,700 square miles and, with over 4.4 million people. The county ranks as one of the top 5 fastest growing counties in the nation as well as the third most populous county in the nation.

Harris County and the Houston metropolitan area comprise a leading region of business development in the nation. Houston continues to be a leader in aerospace, industrial engineering, and medical research; diversification is fueling the local economy. The county's major hospitals, many of these concentrated just south of downtown Houston around the Texas Medical Center, offer world-class facilities for general and specialized medical needs. Houston is the fourth largest city in the nation, and even though it suffered job losses during the Recession between September 2008 and January 2010, it has seen consistent job growth. Texas weathered the national real estate downturn without significantly lowered property values due to low interest rates and taxes, job growth, a growing population, and the continued affordability of Texas housing. All major economic indices are projected to remain strong. These positive economic indicators, however, are offset by growing numbers of property appraisal protests in Harris County, Texas, and bankruptcies by major local corporations and the uncertainty of the resulting impact upon the Department's tax base.

There are 25 public school districts entirely or partially within Harris County, as well as numerous charter, private,

and parochial schools. The county is also home to many colleges, universities, institutes, and technical schools.

### **Long-Term Financial Planning**

There are several division plans that make up the Department's overall financial plan. The Department maintains a five-year technology plan and has a long-range facilities plan. Resources for the accomplishment of these goals will be identified in the Department's annual budget. Estimated taxable values are a major factor in forecasting, as the Department currently generates 42 percent in general fund revenues from customer fees and charges and 45 percent from local property taxes. Other major factors in the development of a long-range financial plan include payroll costs, the cost of inflationary items such as insurance, utilities, and fuel. Financial factors are analyzed and updated annually during the process of budget development.

### **Capital Projects Funding**

Harris County Department of Education Public Facility Corporation (PFC) issues bonds to provide for the acquisition of and the construction and renovation of educational facilities in accordance with the Public Facility Corporation Act. In January 2006, the PFC issued lease revenue bonds that funded construction of the new Highpoint school and the acquisition, renovation, and equipping of the records management warehouse/administrative North Post Oak facility.

The Department issued maintenance tax notes in May 2009 and qualified zone academy bonds (QZAB) in July 2009 to fund energy and instructional-related building repairs and renovations, along with accompanying equipment and furniture. On August 30, 2016, the department issued \$7,000,000 of PFC Revenue Bonds towards the construction of a new AB West Campus. The closure of the bonds was completed in November 2017. In FY 2017, the Department had several smaller construction projects that totaled \$232,493. This includes building renovations and improvements at the Academic Behavior School-East and Head Start – La Porte and other improvements at the North Post Oak building.

For fiscal year 2017, the Department has approved changing the Highpoint North into a Recovery High School, Fortis Academy. The project requires a change in program and improvements to the facility and 3 additional new full-time equivalent positions. The Department has allocated \$1,115,337 towards the endeavor.

### **Major Initiatives**

Major programs and construction projects for the coming fiscal year include the completion of the elevator replacements at the NPO Center and the elevator at the Adult Education Building. An upgrade to the main lobby at the Reagan Building, the culinary kitchen at Fortis Academy and other minor improvements for \$2,000,000. Replacement of technology assets in the amount of \$265,000. The Baytown Head Start Center is also completed by FY17-18 for \$569,000.

The Department has also planned for the replacement of Academic & Behavior West School. The Capital Project Fund is estimated at \$10,816,072 to be implemented in FY17-18.

### **Awards and Acknowledgments**

Harris County Department of Education embraces its fiscal responsibility and endeavors to be financially sound and publicly accountable.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Department for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2016. This is the fifteenth consecutive year that the Department has achieved this prestigious award. To be awarded a *Certificate of Achievement*, the Department had to publish an

easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

The Department received its thirteenth consecutive *Certificate of Excellence in Financial Reporting* from the Association of School Business Officials International (ASBO) for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2016. This award, the highest recognition for school system financial operations offered by ASBO, is only conferred to school systems that have met or exceeded the standards of the Certificate of Excellence in Financial Reporting Program.

In addition, Harris County Department of Education also received the GFOA *Award for Outstanding Achievement in Popular Annual Financial Reporting* for its Popular Annual Financial Report for the fiscal year ended August 31, 2016, (PAFR), for the tenth consecutive year. The *Award for Outstanding Achievement in Popular Annual Financial Reporting* is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. To receive an *Award for Outstanding Achievement in Popular Annual Financial Reporting* a governmental unit must publish a Popular Annual Financial Report whose contents conform to program standards of creativity, presentation, understand-ability, and reader appeal.

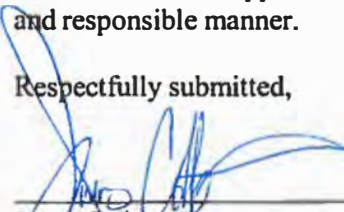

HCDE also participates in the Texas Comptroller's Office Transparency Star Program. For fiscal year 2011, HCDE was the first entity to receive the perfect score in implementing the transparency criteria by the state. HCDE is a current transparency star recipient of this program. The Department has earned this award for the last seven years.

Each of these awards is valid for a period of one year. We believe that our current CAFR and PAFR continues to meet both programs' requirements and we will submit it for determination of eligibility for certificates from both programs again this year.

The preparation of this report in a timely manner was made possible by the efficient and dedicated services of the staff of the Business Support Services Division. We would like to express our appreciation to all Department employees for maintaining the highest standards of professionalism in the management of the Department's finances and for their assistance in the preparation of this report.

Special appreciation is expressed to the members of the Board of Trustees and Department administration for their interest and support in planning and conducting the financial operations of the Department in a progressive and responsible manner.

Respectfully submitted,

  
\_\_\_\_\_  
James Colbert, Jr.  
County School Superintendent  
\_\_\_\_\_  
Jesus J. Amezcua, RTSBA, CPA, Ph.D.  
Assistant Superintendent for Business Support Services  
\_\_\_\_\_  
Rosa Maria Torres, RTSBA  
Chief Accounting Officer



**This page intentionally left blank**



## **CERTIFICATE OF BOARD**

**Harris County Department of Education**

**Harris County**

**101-000**

We, the undersigned, certify that the attached auditors' reports of the above-named government were reviewed and approved for the fiscal year August 31, 2017, at a meeting of the Board of Trustees on the 24th day of January 2018.

  
\_\_\_\_\_  
James Colbert, Jr.  
Secretary, Board of Trustees  
\_\_\_\_\_  
Louis D. Evans III  
President, Board of Trustees

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Harris County Department of Education of Harris County, Texas for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2016.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and the Department will submit it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Harris County Department of Education Texas**

For its Comprehensive Annual Financial  
Report  
for the Fiscal Year Ended

**August 31, 2016**

*Christopher P. Morrell*

Executive Director/CEO

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING AWARD**

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting (Award) to Harris County Department of Education for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2016.

The Award, the highest recognition for school system financial operations offered by ASBO, is only conferred to school systems that have met or exceeded the standards of the Certificate of Excellence in Financial Reporting Program.

Since its inception in 1972 the program has gained the distinction of being a prestigious national award recognized by accounting professionals, underwriters, securities analysts, bond-rating agencies, state and federal agencies, and education, teacher and citizen groups.

ASBO International, founded in 1910, is a professional association which provides programs and services to promote the highest standards of school business management practices, professional growth, and the effective use of educational resources.

By preparing and presenting a CAFR, the Department validates the credibility of its system's operations, measures the integrity and technical competence of the business staff, and provides professional recognition.



**The Certificate of Excellence in Financial Reporting  
is presented to**

Harris County Department of Education

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended August 31, 2016.**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a thin horizontal line.

**Anthony N. Dragona, Ed.D., RSBA**  
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a thin horizontal line.

**John D. Musso, CAE**  
Executive Director

**HARRIS COUNTY DEPARTMENT OF EDUCATION  
PRINCIPAL OFFICIALS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

**County Board of School Trustees**

<b>NAME</b>	<b>TITLE</b>	<b>LENGTH OF SERVICE</b>	<b>TERM EXPIRES</b>
Louis D. Evans, III	President	2015	12/31/2018
Eric Dick	Vice President	2017	12/31/2022
James Colbert, Jr.	Secretary	2014	Appointed
Erica S. Lee Carter	Member	2013	12/31/2018
Dr. George Moore	Member	2017	12/31/2022
Don Sumners	Member	2015	12/31/2020
Dr. Diane Trautman	Member	2013	12/31/2018
Michael Wolfe	Member	2015	12/31/2020

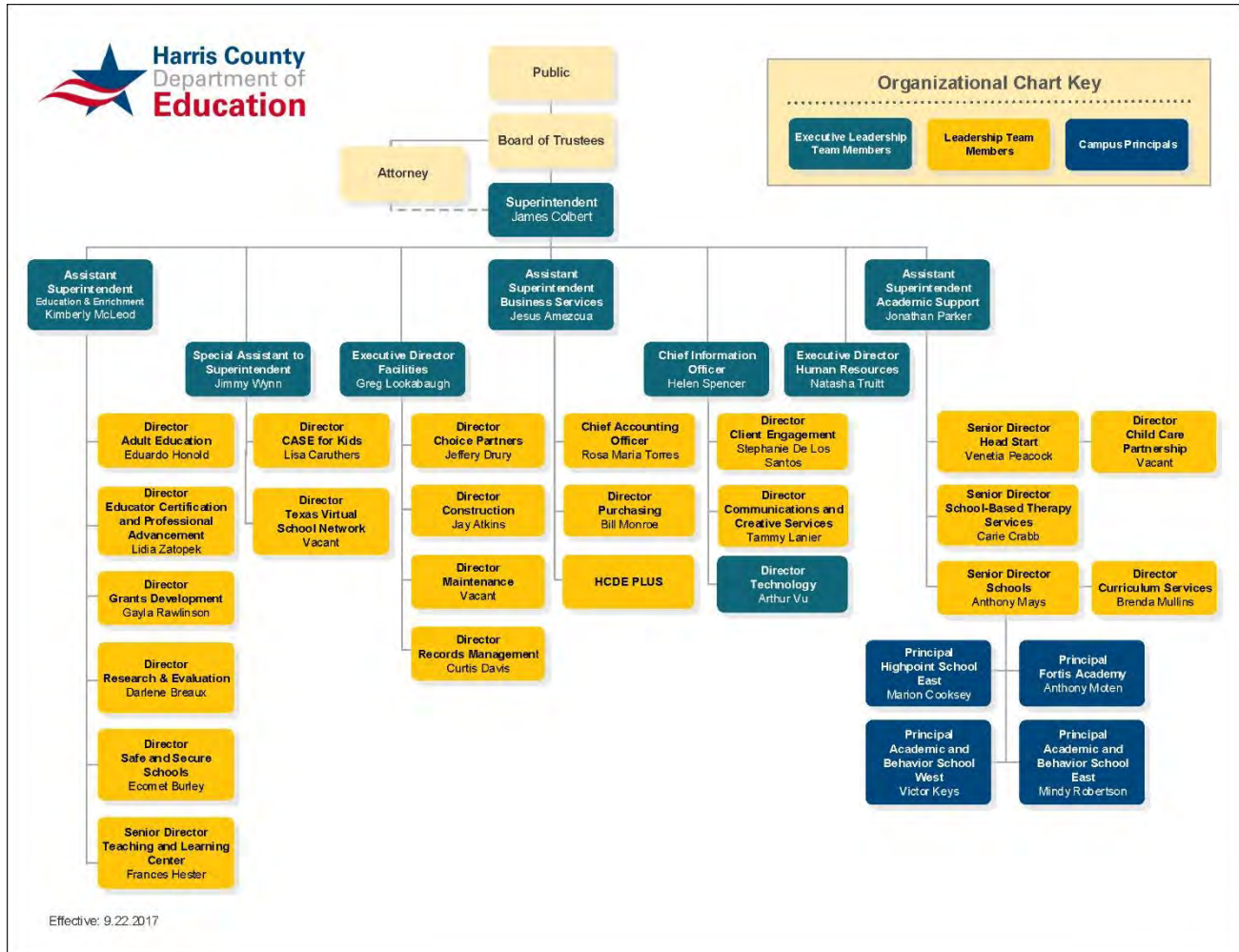
**Executive Leadership Team**

<b>NAME</b>	<b>POSITION</b>
James Colbert, Jr.	County School Superintendent
Jesus Amezcua, RTSBA, CPA, Ph.D.	Assistant Superintendent - Business Services
Greg Lookabaugh	Executive Director – Facilities Support Services
Kimberly McLeod, Ed.D.	Assistant Superintendent - Education and Enrichment
Jonathan Parker	Assistant Superintendent - Academic Support Services
Helen Spencer	Chief Information Officer
Natasha Truitt, MBA	Executive Director - Human Resources
Arthur Vu	Director of Technology Services
Jimmy Wynn	Special Assistant to the Superintendent





# HARRIS COUNTY DEPARTMENT OF EDUCATION ORGANIZATION CHART FY 2017-18





**This page intentionally left blank**



**Back of Financial Section**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Harris County Department of Education  
Houston, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Harris County Department of Education (the "Department"), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Education Foundation of Harris County were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Department as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 18 through 26 and analysis, budgetary comparison information on pages 72 through 73, and pension information on pages 74 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information, such as the combining and individual fund statements and schedules, other supplementary information and other information, such as the introductory and statistical sections, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Board of Trustees  
Harris County Department of Education

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance. The financial statements of the Education Foundation of Harris County were not audited in accordance with *Government Auditing Standards*.

*Whitley Penn LLP*

Houston, Texas  
January 12, 2018

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

As management of Harris County Department of Education (Department), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended August 31, 2017. It should be read in conjunction with our letter of transmittal at the front of this report and the basic financial statements which follow this section.

**Financial Highlights**

- The assets and deferred outflow of resources of the Department exceeded the liabilities and deferred inflows of resources at the close of the fiscal year by \$58,617,710. Of this amount, \$26,188,720 of unrestricted net position may be used to meet the Department's ongoing obligations.
- The Department's net position increased by \$3,635,521.
- As of August 31, 2017, the Department's governmental funds reported combined ending fund balances of \$38,996,493, an increase of \$8,044,272. The increase in governmental fund balances was primarily due to an increase of \$10,842,023 in the Capital Projects fund. This increase was due to the transfer in from the General Fund of \$4.9 million and sale of bonds of \$7,000,000. Divisions were also conservative in their expenditures in FY 2017.
- At the end of the fiscal year, the unassigned fund balance in the General Fund was \$17,020,303 or 39 percent of the General Fund's total expenditures for this fiscal year.
- The Department's total bonded debt increased by \$4,208,874 (28 percent) during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Harris County Department of Education's basic financial statements. The Department's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements-** The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the Department's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Activities* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements distinguish programs of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other programs that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The Department reports no business-type activities in its government-wide statements. The governmental activities of the

Department include Adult Education Program, Center of After School, Summer and Expanded Learning, Digital Learning and Instructional Learning Program, Head Start Program/Early Head Start, Special Education Program, Special Schools Program, Teaching & Learning Center, School Based Therapy Services, the Texas Virtual Schools Network Program and other miscellaneous projects.

The government-wide financial statements include not only Harris County Department of Education itself, but also a legally separate blended component unit, the Harris County Department of Education Public Facility Corporation (PFC Capital Projects Fund), for which it is financially accountable, and the Education Foundation of Harris County has been included as a discretely presented component unit. The government-wide financial statements are referenced as Exhibits A-1 and A-2.

**Fund Financial Statements-** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Department's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds-** Governmental funds are used to account for essentially the same programs reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Department's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Harris County Department of Education maintains 25 individual governmental funds. Information is presented separately in the governmental fund financial statements for the general fund, head start program, and the federal After-School Partnership and PFC Capital Project Funds, all of which are considered major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Department adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements are referenced as Exhibits B-1 through B-4.

**Proprietary Funds-** The Department maintains an enterprise fund and two internal service funds, which are both types of proprietary funds. The enterprise fund is a major business-type fund used to account for activities for which a fee is charged to external users of goods and services, it is used to account for Choice Partners Cooperative. Internal Service funds account for operations that are financed and are similar to the private sector. The Department uses internal service funds to report workers' compensation and facility support services for the Department's other programs and activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements are referenced as Exhibits B-5 through B-7.

**Fiduciary Funds-** The fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs. The fund is custodial in nature (assets equal

liabilities) and does not involve measurement of results of operations. The basic fiduciary fund financial statement is referenced as Exhibit B-8 in this report.

Notes to financial statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately following the *basic financial statements* in this report.

**Required Supplementary Information-** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds that is legally required to adopt an annual budget. The Department did not have any major special revenue funds that were legally required to adopt an annual budget; therefore, only the general fund is presented as required supplementary information. All special revenue funds adopt a project length budget. As required by GASB 68, the Department implemented new standards regarding Pensions. The required supplementary information is referenced as Exhibit C-1, C-2, C-3 and the associated notes immediately follow the exhibit in this report.

**Other Information-** The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and are referenced as Exhibits D-1 through E-2 in this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Department's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,617,710 at August 31, 2017.

HARRIS COUNTY DEPARTMENT OF EDUCATION'S NET POSITION						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 46,398,604	\$ 36,639,248	\$ 49,707	\$ 41,868	\$ 46,448,311	\$ 36,681,116
Capital Assets	48,535,655	48,821,211	-	-	48,535,655	48,821,211
<b>Total Assets</b>	<b>94,934,259</b>	<b>85,460,459</b>	<b>49,707</b>	<b>41,868</b>	<b>94,983,966</b>	<b>85,502,327</b>
Deferred Outflows of Resources	2,983,963	1,741,741	197,328	171,486	3,181,291	1,913,227
<b>Total Deferred Outflows of Resources</b>	<b>2,983,963</b>	<b>1,741,741</b>	<b>197,328</b>	<b>171,486</b>	<b>3,181,291</b>	<b>1,913,227</b>
Other Liabilities	4,871,465	3,028,216	25,012	19,211	4,896,477	3,047,427
Long-term Liabilities Outstanding	32,168,365	27,634,574	175,886	165,208	32,344,251	27,799,782
<b>Total Liabilities</b>	<b>37,039,830</b>	<b>30,662,790</b>	<b>200,898</b>	<b>184,419</b>	<b>37,240,728</b>	<b>30,847,209</b>
Deferred Inflows of Resources	2,260,682	1,557,221	46,137	28,935	2,306,819	1,586,156
<b>Total Deferred Inflows of Resources</b>	<b>2,260,682</b>	<b>1,557,221</b>	<b>46,137</b>	<b>28,935</b>	<b>2,306,819</b>	<b>1,586,156</b>
Net Position:						
Net Investment in Capital Assets	32,428,990	34,145,710	-	-	32,428,990	34,145,710
Restricted for capital projects	-	31,983	-	-	-	31,983
Unrestricted	26,188,720	20,804,496	-	-	26,188,720	20,804,496
<b>Total Net Position</b>	<b>\$ 58,617,710</b>	<b>\$ 54,982,189</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,617,710</b>	<b>\$ 54,982,189</b>

Net investment in capital assets of \$32,428,990 reflects the Department's investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets. Although the Department's investment in its capital assets is reported net of related debt, it

should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of *unrestricted net position* of \$26,188,720 is available for the Department to meet on-going obligations. At the end of the current fiscal year, the Department is able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.

Governmental activities increased HCDE's net position by \$3,635,521 for the year ended August 31, 2017. The Business-Type activities has no change in net position. The profits from the business-type activities are transferred to the general fund. Detail of the change in the Department's net position follows:

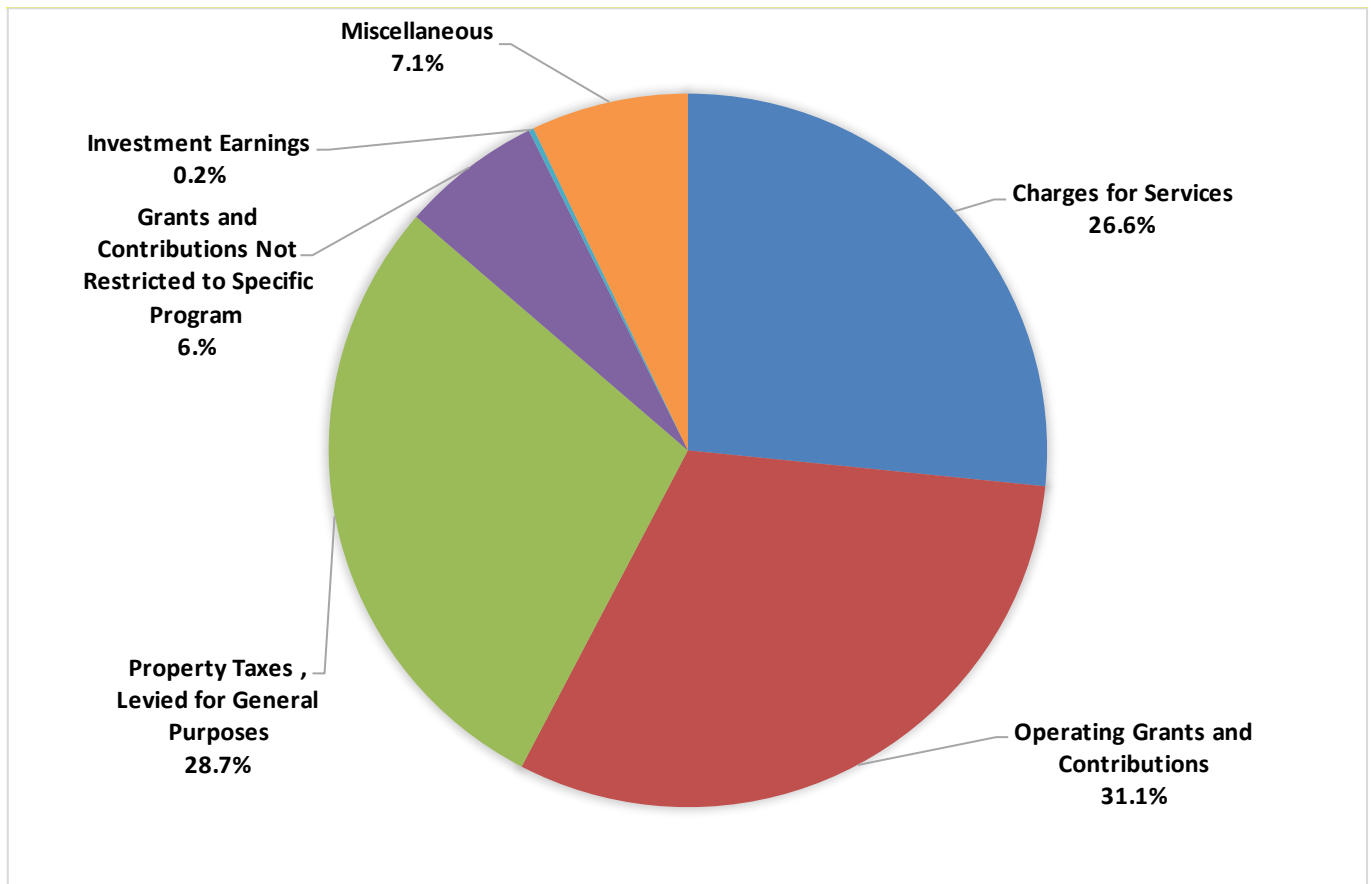
**HARRIS COUNTY DEPARTMENT OF EDUCATION'S**  
CHANGE IN NET POSITION

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 20,142,270	\$ 19,314,301	\$ 4,371,278	\$ 4,426,904	\$ 24,513,548	\$ 23,741,205
Operating Grants and Contributions	23,509,189	23,307,323	-	-	23,509,189	23,307,323
General Revenues:						
Property Taxes , Levied for General Purposes	21,723,798	21,059,842	-	-	21,723,798	21,059,842
Grants and Contributions Not Restricted to Specific Program	4,804,746	5,560,503	-	-	4,804,746	5,560,503
Investment Earnings	170,480	60,751	-	-	170,480	60,751
Miscellaneous	5,356,853	5,152,391	-	-	5,356,853	5,152,391
<b>Total Revenues</b>	<b>75,707,336</b>	<b>74,455,111</b>	<b>4,371,278</b>	<b>4,426,904</b>	<b>80,078,614</b>	<b>78,882,015</b>
<b>EXPENSES:</b>						
Adult Education Program	3,873,917	4,050,032	-	-	3,873,917	4,050,032
Assistant Superintendents' Offices	539,630	537,885	-	-	539,630	537,885
Board of Trustees	138,256	131,506	-	-	138,256	131,506
Business Support Services	1,720,319	1,790,657	-	-	1,720,319	1,790,657
Center for After-School, Summer & Expanded Learning	7,289,977	7,315,643	-	-	7,289,977	7,315,643
Center for Safe & Secure Schools	655,108	491,085	-	-	655,108	491,085
Center for Texas Grant Development	555,688	544,990	-	-	555,688	544,990
Choice Partners Cooperatives	-	-	1,783,195	1,879,446	1,783,195	1,879,446
Client Engagement	374,313	451,521	-	-	374,313	451,521
Communications	858,041	884,274	-	-	858,041	884,274
Department Wide	7,089,535	6,808,688	-	-	7,089,535	6,808,688
Digital Learning	1,391,612	368,131	-	-	1,391,612	368,131
Education Certification & Professional Advancement	678,461	630,272	-	-	678,461	630,272
Education Foundation	9,559	199,417	-	-	9,559	199,417
Facility Support Services	1,112,896	772,981	-	-	1,112,896	772,981
Head Start Program	17,304,932	16,103,236	-	-	17,304,932	16,103,236
Human Resources	994,097	943,149	-	-	994,097	943,149
Interest and Fees on Long-Term Debt	602,708	310,720	-	-	602,708	310,720
Purchasing Support Services	494,804	477,229	-	-	494,804	477,229
QZAB	-	6,281	-	-	-	6,281
Records Management Services	1,627,074	1,656,361	-	-	1,627,074	1,656,361
Research & Evaluation Institute	579,394	515,936	-	-	579,394	515,936
Retirement Leave Benefits	358,964	322,795	-	-	358,964	322,795
Scholastic Arts & Writing Program	101,618	102,702	-	-	101,618	102,702
School Based Therapy Services	9,790,720	9,375,763	-	-	9,790,720	9,375,763
Special Assistant to Superintendent	291,630	189,323	-	-	291,630	189,323
Special Schools & Services	11,091,019	10,865,891	-	-	11,091,019	10,865,891
Superintendent's Office	448,785	385,255	-	-	448,785	385,255
Technology Support Services	3,446,066	5,052,094	-	-	3,446,066	5,052,094
The Teaching & Learning Center	1,240,775	1,068,452	-	-	1,240,775	1,068,452
<b>Total Expenses</b>	<b>74,659,898</b>	<b>72,352,269</b>	<b>1,783,195</b>	<b>1,879,446</b>	<b>76,443,093</b>	<b>74,231,715</b>
Transfers	2,588,083	2,547,458	(2,588,083)	(2,547,458)	-	-
Change in Net Position	3,635,521	4,650,300	-	-	3,635,521	4,650,300
<b>Net Position, Beginning</b>	<b>54,982,189</b>	<b>50,331,889</b>	<b>-</b>	<b>-</b>	<b>54,982,189</b>	<b>50,331,889</b>
<b>Net Position, Ending</b>	<b>\$ 58,617,710</b>	<b>\$ 54,982,189</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 58,617,710</b>	<b>\$ 54,982,189</b>

GASB Statement No. 68 and No. 71 in fiscal year 2015. The implementation is discussed in Note 12.

Revenues for the governmental type activities are generated primarily from two sources. The first source is comprised of two groups Operating Grants and Contributions and Grants (\$23,509,189) and Contributed Not Restricted to Specific Program (\$4,804,746) totaling \$28,313,935, represent 37 percent of total revenues and charges for services \$20,142,270 represent 27 percent of total revenues. The remaining 36 percent is generated from property taxes, investment earnings, head start non-federal share and miscellaneous revenues. The decrease in grants and contributions was primarily due to a decrease in federal and state funding for programs. Charges for services increased due to additional requests for services.

#### Revenues by Source – Governmental Activities Total \$75,707,336



Revenues for the business-type activities are generated solely by fees charged to external users of goods and services. Total revenues for FY 2017 total \$4,371,278.

The primary program expense of the Department is the Head Start Program (\$17,304,932) which represents 23 percent of total expenses. The special school programs (\$11,091,019) represents 15 percent, the Center for After School, Summer and Expanded Learning (\$7,289,977) represents 10 percent, the school based therapy services (\$9,790,720) represent 13 percent, and the Department Wide (7,089,535) represents 9 percent. The remaining individual functional categories of expenses are each less than 5 percent of total expenses. Increases in expenses are primarily due to a rise in inflation and slight increase in demand for services.



## Financial Analysis of the Department's Funds

As noted earlier, Harris County Department of Education uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds-** The focus of Harris County Department of Education's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Department's financing requirements. The *Unassigned Fund Balance* may serve as a useful measurement of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Department's governmental funds reported a combined fund balance of \$38,996,493, an increase of \$8,044,272 in comparison with the prior year. The net increase of the combined fund balances was comprised of a fund balance decrease in the General Fund of \$2,797,751 and an increase of \$10,842,023 in the PFC Capital Projects Fund. Out of the combined fund balances, \$17,020,303 constitutes unassigned fund balance, which is available for spending at the Department's discretion. The remainder of the fund balance is distributed into the following categories: non-spendable fund balance of \$163,555, restricted fund balance of \$10,874,006, committed fund balance of \$1,575,000 and assigned fund balance of \$9,363,629. Please refer to Exhibit B-1.

The general fund is the main operating fund of Harris County Department of Education. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,020,303, while total fund balance was \$28,122,487. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39 percent of total general fund expenditures, while total fund balance represents 65 percent of that same amount.

The fund balance in the general fund decreased \$2,797,751 during the current fiscal year primarily due to the Transfer Out to the Capital Project in the amount of \$4.9 million. Divisions were also conservative in their expenditures in FY 2017. Transfer to Capital Projects of \$4,994,999. Overall, the general fund's performance resulted in revenues over expenditures by \$3,293,684.

The fund balance for the following special revenue fund remained unchanged at zero:

- Head Start Program
- Federal After-School Partnership

The fund balance for the PFC Capital Project Funds increased by \$10,842,023 due to the Transfer In from General Fund and the \$7M Bond Sale.

**Proprietary Fund-** The Department's proprietary fund financial statement reflects the Department's enterprise fund and internal service funds for internal services and workers' compensation. The increase in net position is primarily due to a decrease in claims associated with the workers' compensation fund. The business-type activities net change in position is eliminated in a transfer of excess revenues to the general fund. The net change in position of the fund is eliminated and allocated to the governmental expenses in the government-wide financial statements.

## General Fund Budgetary Highlights

During the year, Harris County Department of Education's administration recommended and the HCDE Board of Trustees approved several revisions (amendments) to budgeted revenues and appropriations. Revisions to budgeted revenues are necessary due to changes in estimates for local and state revenues based on updated information concerning the level of services rendered and the receipt of approved grant awards. Revisions to appropriations are necessary due to staffing adjustments, changes in spending needs over the course of the year, receipt of approved grant awards, or other unexpected occurrences.

During the fiscal year the Department amended the revenue budget by \$415,978. \$317,978 were increases due to additional fee for service agreements for the Center for Safe and Secure School and AB School East. The additional \$100,000 increase in the budget was due to additional increase in the TEA employee insurance reimbursement.

At year end, local fees for services from various divisions were below the revenue budget by \$1,442,496 due to less services needed from the school districts. The state revenues were below the budget by \$12,788 mainly due receiving less than anticipated on behalf of the TRS Active Care funding. The federal revenues earned were above the budget by \$160,217 due to additional indirect cost from grants.

Over the course of the year the Department revised its budget at each regularly-scheduled HCDE Board of Trustees meeting. There was a \$2,496,687 net increase in appropriations between the original and the final amended budget. The Department's major budget amendments during the year are summarized as follows:

- Start Up budget for Fortis Academy \$950,000.
- Purchase Order Rollover for \$250,871.
- Additional contracts for Center for Safe and Secure Schools for \$223,903.
- Additional fund for Retirement Leave Benefits of \$275,000.
- Payment for Texas Virtual Schools to Region 10 of \$512,371
- Building Improvements increased by \$216,663 for elevator renovations.

The increase in appropriations was possibly due to available unassigned fund balance.

There was a \$6,343,625 difference between the final amended budget and actual expenditures. The significant differences are summarized as follows:

- \$2,235,779 in Special Schools Programs due to a reduction in personnel and related operation costs because of a reduction in contracts for services.
- \$1,288,916 in School Based Therapy Services for reduction in service contracts and conservative spending
- \$956,822 in Facility Support Services for delayed capital outlay purchases and renovation projects
- \$345,043 in the Teaching & Learning Center for unspent professional contracted services.
- \$235,647 in Department Wide lower facility support charges and services and unspent operating costs.
- \$201,693 in Records Management for conservative spending.
- \$191,644 in Technology Support Services for unspent professional contracted services and delayed capital outlay purchases.
- \$186,363 in Business Support Services for unspent professional contracted services related to HCDE Plus.

## Capital Assets and Long-Term Liabilities

**Capital Assets-** At the end of fiscal year 2017, Harris County Department of Education had \$48,535,655 (net of accumulated depreciation of \$26,461,157) invested in capital assets including land, buildings and improvements, furniture and equipment, and construction in progress. This amount represents a .5 percent decrease (including additions and deductions) of \$285,555.

HARRIS COUNTY DEPARTMENT OF EDUCATION'S CAPITAL ASSETS (net of depreciation)						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,539,276	\$ 1,589,511	\$ -	\$ -	\$ 2,539,276	\$ 1,589,511
Buildings and Improvements	43,159,160	43,406,910	-	-	43,159,160	43,406,910
Furniture and Equipment	2,803,469	3,368,170	-	-	2,803,469	3,368,170
Construction in Progress	33,750	456,620	-	-	33,750	456,620
<b>Total</b>	<b>\$ 48,535,655</b>	<b>\$ 48,821,211</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,535,655</b>	<b>\$ 48,821,211</b>

Major capital asset events during the current fiscal year included the following:

- \$1.7 million (gross) increase to furniture, equipment and building renovations for Technology Support Services, Head Start Program, Special Schools Program and Facilities Support Services.
- Additional information on the Department's capital assets can be found in the notes to financial statements- Note 6 – Capital Assets.

**Long-Term Liabilities-** At fiscal year-end, the Harris County Department of Education's outstanding debt balance was \$19,053,624 consisting of \$15,855,000 of lease revenue bonds, \$2,708,571 of qualified zone academy bonds, \$460,000 of maintenance tax notes, and \$30,053 in issuance premiums. The bonds and notes are backed by specified program revenues and property taxes. The other long-term liabilities in the amount of \$4,496,346 include \$4,228,858 for compensated absences and \$267,488 for workers compensation.

HARRIS COUNTY DEPARTMENT OF EDUCATION'S LONG-TERM LIABILITIES						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Bonds and Notes Payable, net	\$ 19,053,624	\$ 14,844,750	\$ -	\$ -	\$ 19,053,624	\$ 14,844,750
Other Long-Term Liabilities	4,496,346	4,694,614	-	-	4,496,346	4,694,614
Net Pension Liability (Department Share)	8,618,395	8,095,210	175,886	165,208	8,794,281	8,260,418
<b>Total</b>	<b>\$ 32,168,365</b>	<b>\$ 27,634,574</b>	<b>\$ 175,886</b>	<b>\$ 165,208</b>	<b>\$ 32,344,251</b>	<b>\$ 27,799,782</b>

During the year ended August 31, 2017, the Department's total long-term liabilities had a net increase of \$4,544,469 (17 percent) due to the sale of the lease revenue bonds.

The Department continues to enjoy excellent underlying bond ratings. The underlying ratings on the Harris County Department of Education Public Facility Corporation's, a blended component unit of the Department, bonds are rated Aaa by Moody's and AAA from Standard and Poor's. The underlying rating on the Department's notes is Aa2 by Moody's. Additional information on the Department's long-term debt can be found in the notes to financial statements, Note 7 – Long-Term Liabilities.

## **Economic Factors and Next Year's Budgets and Rates**

Economic factors can have a significant impact on Harris County Department of Education's finances. Growth in services to our customers, primarily school districts, will depend on their finances.

- Property tax revenues represent 22.65 percent of fiscal year 2017-18 total estimated revenue. The unemployment rate for Harris County was 4.1 percent in 2017 while the national rate averaged 4.8 percent.
- Inflation and other factors have resulted in increases for health insurance, property insurance, electricity, and travel reimbursement costs.
- The Department remains successful at applying for and administering federal, state and local grants.

The Department's elected officials considered these and many other many factors when setting the fiscal year 2018 general fund budget and tax rate. The adopted budget is based on the following significant assumptions:

- Estimated revenues from current tax revenues are \$22,273,000, an increase of 2.7 percent from the final fiscal year 2017 budget of \$21,698,803, based on an increase commercial property appraisal values, as estimated by the Harris County Appraisal District.
- Fiscal year 2018 expenditures are budgeted at \$54,626,631, an approximate decrease of 1.86 percent from the final fiscal year 2017 budget of \$55,661,591.
- The FY18 budget adopted was a balanced budget with use of assigned fund balance. The final fiscal year 2017 general fund budget projected a decrease of \$2,797,750 of total fund balance; \$1,825,344 increase in assigned fund balance, a decrease of \$4,625,000 of committed fund balance, an increase of \$3,942 of non-spendable fund balance and \$2,036 decrease in unassigned fund balance. During the current fiscal year, unassigned fund balance in the general remained at \$17,020,303. The effective tax rate of \$0.005195 per \$100 appraised/taxable property was adopted for fiscal year 2017-2018.

The Department maintains a policy that benchmarks an unassigned fund balance of 12-15 percent of the general fund operating expenditure budget. The unassigned fund balance is currently at 14 percent of total budgeted appropriations including other uses for fiscal year 2018. The projected year fiscal year 2018 total fund balance of the general fund is \$18,295,717.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, the business community, customers, and creditors with a general overview of Harris County Department of Education's finances and to demonstrate the Department's accountability for the money under its fiduciary care. Questions about this report or requests for additional information should be directed to the Business Office, Harris County Department of Education, at 6300 Irvington Blvd., Houston, Texas, 77022, by phone at (713) 694-8249 or by email to [jamezcua@hcde-texas.org](mailto:jamezcua@hcde-texas.org).



## BASIC FINANCIAL STATEMENTS

## **Back of Basic Financial Statements**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Education Foundation of Harris County
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,022,374	\$ -	\$ 6,022,374	\$ 90,029
Investments	32,859,400	-	32,859,400	-
Property taxes receivable (net)	846,934	-	846,934	-
Due from other governments	3,792,978	-	3,792,978	-
Due from other funds	998,830	(998,830)	-	-
Other receivables (net)	1,375,311	1,047,287	2,422,598	8,442
Inventories	123,353	-	123,353	-
Prepaid items	379,424	1,250	380,674	-
Capital Assets:				
Land	2,539,276	-	2,539,276	-
Construction in Progress	33,750	-	33,750	-
Buildings and improvements	59,815,015	-	59,815,015	-
Furniture and equipment	12,608,771	-	12,608,771	-
Accumulated depreciation	(26,461,157)	-	(26,461,157)	-
<b>Total Assets</b>	<b>94,934,259</b>	<b>49,707</b>	<b>94,983,966</b>	<b>98,471</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on bond refunding	145,252	-	145,252	-
Deferred Outflow related to TRS	2,838,711	197,328	3,036,039	-
<b>Total Deferred outflows of resources</b>	<b>2,983,963</b>	<b>197,328</b>	<b>3,181,291</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	2,877,600	24,612	2,902,212	2,895
Payroll deductions payable	843,543	-	843,543	-
Accrued wages payable	150,790	-	150,790	-
Accrued interest payable	15,017	-	15,017	-
Due to Other Governments	12,679	-	12,679	-
Unearned revenues	971,838	400	972,238	-
Long Term Liabilities				
Due within one year	3,962,711	-	3,962,711	-
Due in more than one year	19,587,257	-	19,587,257	-
Net Pension Liability (Department's Share)	8,618,395	175,886	8,794,281	-
<b>Total Liabilities</b>	<b>37,039,830</b>	<b>200,898</b>	<b>37,240,728</b>	<b>2,895</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow related to TRS	2,260,682	46,137	2,306,819	-
<b>Total Deferred inflows of resources</b>	<b>2,260,682</b>	<b>46,137</b>	<b>2,306,819</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	32,428,990	-	32,428,990	-
Restricted for:				
Capital Projects	-	-	-	-
Education Foundation	-	-	-	62,094
Unrestricted	26,188,720	-	26,188,720	33,482
<b>Total Net Position</b>	<b>\$ 58,617,710</b>	<b>\$ -</b>	<b>\$ 58,617,710</b>	<b>\$ 95,576</b>

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

		Program Revenues		Net (Expense) Revenues and Changes in Net Position			
Programs	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government		Component Unit	
				Governmental Activities	Business-Type Activities	Total	Education Foundation of Harris County
PRIMARY GOVERNMENT:							
Governmental Activities:							
Adult Education Program	\$ 3,873,917	\$ -	\$ 3,695,394	\$ (178,523)	\$ -	\$ (178,523)	\$ -
Assistant Superintendents	539,630	-	-	(539,630)	-	(539,630)	-
Board of Trustees	138,256	-	-	(138,256)	-	(138,256)	-
Business Support Services	1,720,319	58,597	-	(1,661,722)	-	(1,661,722)	-
Center for After School, Summer &	7,289,977	9,506	5,097,902	(2,182,569)	-	(2,182,569)	-
Center for Safe & Secure Schools	655,108	502,661	-	(152,447)	-	(152,447)	-
Center for Texas Grant Development	555,688	840	-	(554,848)	-	(554,848)	-
Client Engagement	374,313	-	-	(374,313)	-	(374,313)	-
Communications	858,041	-	-	(858,041)	-	(858,041)	-
Department Wide	7,089,535	20,215	-	(7,069,320)	-	(7,069,320)	-
Digital Learning	1,391,612	41,745	1,146,635	(203,232)	-	(203,232)	-
Education Certification &							
Professional Advancement	678,461	206,289	57,500	(414,672)	-	(414,672)	-
Education Foundation	9,559	-	-	(9,559)	-	(9,559)	-
Facility Support Services	1,112,896	-	-	(1,112,896)	-	(1,112,896)	-
Head Start Program	17,304,932	-	13,506,434	(3,798,498)	-	(3,798,498)	-
Human Resources	994,097	-	-	(994,097)	-	(994,097)	-
Interest and Fees-Long-Term Debt	602,708	-	-	(602,708)	-	(602,708)	-
Purchasing Support Services	494,804	-	-	(494,804)	-	(494,804)	-
Records Management Services	1,627,074	1,563,165	-	(63,909)	-	(63,909)	-
Research & Evaluation Institution	579,394	2,002	5,324	(572,068)	-	(572,068)	-
Retirement Leave Benefits	358,964	-	-	(358,964)	-	(358,964)	-



				Net (Expense) Revenues and Changes in Net Position			
Programs	Expenses	Program Revenues		Primary Government			Component Unit
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total	Education Foundation of Harris County
Scholastic Arts & Writing Program	101,618	-	-	(101,618)	-	(101,618)	-
School Based Therapy Services	9,790,720	8,552,308	-	(1,238,412)	-	(1,238,412)	-
Special Assistant to Superintendent	291,630	-	-	(291,630)	-	(291,630)	-
Special Schools & Services	11,091,019	8,433,065	-	(2,657,954)	-	(2,657,954)	-
Superintendent's Office	448,785	-	-	(448,785)	-	(448,785)	-
Technology Support Services	3,446,066	17,440	-	(3,428,626)	-	(3,428,626)	-
The Teaching & Learning Center	1,240,775	734,437	-	(506,338)	-	(506,338)	-
<b>Total Governmental Activities</b>	<b>74,659,898</b>	<b>20,142,270</b>	<b>23,509,189</b>	<b>(31,008,439)</b>	<b>-</b>	<b>(31,008,439)</b>	<b>-</b>
<b>Business-Type Activities:</b>							
Choice Partners Cooperative	1,783,195	4,371,278	-	-	2,588,083	2,588,083	-
<b>Total Business-Type Activities</b>	<b>1,783,195</b>	<b>4,371,278</b>	<b>-</b>	<b>-</b>	<b>2,588,083</b>	<b>2,588,083</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 76,443,093</b>	<b>\$ 24,513,548</b>	<b>\$ 23,509,189</b>	<b>\$ (31,008,439)</b>	<b>\$ 2,588,083</b>	<b>\$ (28,420,356)</b>	<b>\$ -</b>
<b>COMPONENT UNIT:</b>							
Education Foundation of Harris County	<u>\$ 463,510</u>	<u>\$ 40,746</u>	<u>\$ 374,174</u>				(48,590)
<b>General Revenues:</b>							
Property Taxes, Levied for General Purposes				21,723,798	-	21,723,798	-
Grants and Contributions Not Restricted to Specific Program				4,804,746	-	4,804,746	-
Investment Earnings				170,480	-	170,480	14
Miscellaneous				5,356,853	-	5,356,853	-
Transfers				2,588,083	(2,588,083)	-	
Total General Revenues				34,643,960	(2,588,083)	32,055,877	14
Change in Net Position				3,635,521	-	3,635,521	(48,576)
<b>Net Position-Beginning</b>				54,982,189	-	54,982,189	144,152
<b>Net Position-Ending</b>				<u>\$ 58,617,710</u>	<u>\$ -</u>	<u>\$ 58,617,710</u>	<u>\$ 95,576</u>

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2017**

	<b>General Fund</b>	<b>Head Start Program</b>	<b>Federal After-School Partnership</b>	<b>PFC Capital Project Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,748,243	\$ -	\$ 446,614	\$ 85,853	\$ 125,508	\$ 4,406,218
Investments	22,071,247	-	-	10,788,153	-	32,859,400
Property taxes receivable	864,219	-	-	-	-	864,219
Allowance for uncollectible taxes	(17,285)	-	-	-	-	(17,285)
Due from other governments	155,195	905,122	533,935	-	2,198,726	3,792,978
Due from other funds	3,507,556	-	-	-	-	3,507,556
Other receivables	1,242,486	17	-	-	532,808	1,775,311
Allowance for uncollectible receivables	(400,000)	-	-	-	-	(400,000)
Inventories	123,353	-	-	-	-	123,353
Prepaid Items	40,202	55,117	-	-	-	95,319
<b>Total Assets</b>	<b>\$ 31,335,216</b>	<b>\$ 960,256</b>	<b>\$ 980,549</b>	<b>\$ 10,874,006</b>	<b>\$ 2,857,042</b>	<b>\$ 47,007,069</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	\$ 1,454,209	\$ 65,477	141,088	\$ -	\$ 1,026,305	\$ 2,687,079
Payroll Deductions Payable	843,543	-	-	-	-	843,543
Accrued wages payable	43,082	3,353	2	-	93,340	139,777
Due to other funds	-	891,426	-	-	1,617,300	2,508,726
Due to other governments	11,589	-	-	-	1,090	12,679
Unearned revenues-other	13,372	-	839,459	-	119,007	971,838
<b>Total Liabilities</b>	<b>2,365,795</b>	<b>960,256</b>	<b>980,549</b>	<b>-</b>	<b>2,857,042</b>	<b>7,163,642</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue-property taxes	846,934	-	-	-	-	846,934
<b>Total Deferred Inflows of Resources</b>	<b>846,934</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>846,934</b>
Fund Balances:						
<b>Nonspendable:</b>						
Inventory	123,353	-	-	-	-	123,353
Prepaid Items	40,202	-	-	-	-	40,202
<b>Restricted:</b>						
PFC Construction Projects	-	-	-	10,874,006	-	10,874,006
<b>Committed:</b>						
Capital Projects	1,000,000	-	-	-	-	1,000,000
Retirement Employee Leave	375,000	-	-	-	-	375,000
Unemployment Liability	200,000	-	-	-	-	200,000
<b>Assigned:</b>						
Asset Replacement	861,576	-	-	-	-	861,576
Building & Vehicle Replacement	597,000	-	-	-	-	597,000
Local Construction	2,700,000	-	-	-	-	2,700,000
New Program Initiative	610,461	-	-	-	-	610,461
PFC Lease Payment	2,454,263	-	-	-	-	2,454,263
QZAB Bond Payment	690,329	-	-	-	-	690,329
Recovery High School	950,000	-	-	-	-	950,000
Workforce Development	500,000	-	-	-	-	500,000
Unassigned	17,020,303	-	-	-	-	17,020,303
<b>Total Fund Balances</b>	<b>28,122,487</b>	<b>-</b>	<b>-</b>	<b>10,874,006</b>	<b>-</b>	<b>38,996,493</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 31,335,216</b>	<b>\$ 960,256</b>	<b>\$ 980,549</b>	<b>\$ 10,874,006</b>	<b>\$ 2,857,042</b>	<b>\$ 47,007,069</b>

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

**Total Fund Balances-Governmental Funds (Exhibit B-1)** \$ 38,996,493

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 48,535,655  
The governmental capital assets cost of \$74,996,812 exceeds the related accumulated depreciation of \$26,461,157.

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 846,934

Deferred Outflow and Inflows of Resources related to the Pension Standards of \$2,838,711 and \$2,260,682 respectively 578,029

Long-term liabilities, including bonds, notes payable, net pension, compensated absences, and the related accrued interest are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to the long-term liabilities and accrued interest consist of:

Bonds and Notes Payable	\$ (19,023,571)	
Accrued Interest on Bonds and Notes Payable	(15,017)	
Premium on Bonds	(30,053)	
Net Pension Liability	(8,618,395)	
Compensated Absences	(4,228,856)	
		(31,915,892)

The deferred loss on refunding is not reported in the fund financial statement but is a deferred outflow of resources and increases the Department's net position 145,252

An internal service fund is used by the Department to charge the costs of workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities 1,431,239

**Total Net Position-Governmental Activities (Exhibit A-1)** \$ 58,617,710

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<b>General Fund</b>	<b>Head Start Program</b>	<b>Federal After-School Partnership</b>	<b>PFC Capital Project Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Local and Intermediate Sources	\$ 42,034,954	\$ 3,412	\$ 300,000	\$ 30,951	\$ 5,052,209	\$ 47,421,526
State Programs	3,031,412	-	-	-	1,519,576	4,550,988
Federal Programs	1,373,612	11,602,536	1,419,592	-	8,967,486	23,363,226
<b>Total Revenues</b>	<b>46,439,978</b>	<b>11,605,948</b>	<b>1,719,592</b>	<b>30,951</b>	<b>15,539,271</b>	<b>75,335,740</b>
<b>EXPENDITURES</b>						
Current:						
Adult Education Program	201,615	-	-	-	3,695,394	3,897,009
Assistant Superintendents	534,595	-	-	-	-	534,595
Board of Trustees	138,343	-	-	-	-	138,343
Business Support Services	1,711,576	-	-	-	-	1,711,576
Center for After-School, Summer & Expanded Learning	273,537	-	2,270,379	-	4,776,605	7,320,521
Center for Safe & Secure Schools	647,093	-	-	-	-	647,093
Center for Texas Grants Development	550,918	-	-	-	-	550,918
Client Engagement	371,341	-	-	-	-	371,341
Communications	844,140	-	-	-	-	844,140
Department Wide	6,862,145	-	-	-	-	6,862,145
Digital Education & Innovation	188,456	-	-	-	10,324	198,780
Education Certification & Professional Advancement	615,966	-	-	-	57,500	673,466
Education Foundation	9,812	-	-	-	-	9,812
Facility Support Services	730,324	-	-	-	-	730,324
Head Start Program	1,986	11,605,948	-	-	5,847,179	17,455,113
Human Resources	986,813	-	-	-	-	986,813
Purchasing Support Services	487,590	-	-	-	-	487,590
Records Management Services	1,557,380	-	-	-	-	1,557,380
Research & Evaluation Institute	569,923	-	-	-	5,324	575,247

Retirement Leave Benefits	358,964	-	-	-	-	358,964
Scholastic Arts & Writing Program	101,187	-	-	-	-	101,187
School Based Therapy Services	9,701,864	-	-	-	-	9,701,864
Special Assistant to Superintendent	289,057	-	-	-	-	289,057
Special Schools & Services	10,707,840	-	-	949,765	310	11,657,915
Superintendent's Office	445,967	-	-	-	-	445,967
Texas Virtual Schools Network	-	-	-	-	1,146,635	1,146,635
Technology Support Services	3,028,436	-	-	-	-	3,028,436
The Teaching & Learning Center	1,229,426	-	-	-	-	1,229,426
Debt Service:						
Principal on Long-Term Debt	-	-	-	-	2,781,429	2,781,429
Interest on Long-Term Debt	-	-	-	-	352,303	352,303
Bond Issance Costs	-	-	-	234,162	-	234,162
<b>Total Expenditures</b>	<u>43,146,294</u>	<u>11,605,948</u>	<u>2,270,379</u>	<u>1,183,927</u>	<u>18,673,003</u>	<u>76,879,551</u>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over (Under) Expenditures</b>	<u>3,293,684</u>	<u>-</u>	<u>(550,787)</u>	<u>(1,152,976)</u>	<u>(3,133,732)</u>	<u>(1,543,811)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	2,588,083	-	550,787	4,994,999	3,133,732	11,267,601
Issuance of Bonds	-	-	-	7,000,000	-	7,000,000
Transfers Out	<u>(8,679,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,679,518)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(6,091,435)</u>	<u>-</u>	<u>550,787</u>	<u>11,994,999</u>	<u>3,133,732</u>	<u>9,588,083</u>
Net Change in Fund Balances	(2,797,751)	-	-	10,842,023	-	8,044,272
<b>Fund Balances-Beginning</b>	<u>30,920,238</u>	<u>-</u>	<u>-</u>	<u>31,983</u>	<u>-</u>	<u>30,952,221</u>
<b>Fund Balances-Ending</b>	<u>\$ 28,122,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,874,006</u>	<u>\$ -</u>	<u>\$ 38,996,493</u>

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

**Total Net Change in Fund Balances-Governmental Funds (Exhibit B-3):** \$ 8,044,272

Amounts reported for Governmental Activities in the Statement of Activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays \$1,779,866 exceeds depreciation expense \$2,065,422 in the period (285,556)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,781,429

Because some property taxes will not be collected for several months after the Department's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year (28,125)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

The change in interest reported in the statement of activities consist of the following:

Accrued Interest on Bonds and Notes Payable decreased	\$ (1,943)	
Amortization of Bond Premium	9,697	
Amortization of deferred charge on refunding	(23,997)	(16,243)

Sale of Bonds	(7,000,000)	(7,000,000)
---------------	-------------	-------------

The net decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 108,078

An internal service fund is used by the Department to charge the costs of workers' compensation benefits to the individual funds. The net revenue (expense) of the internal service fund was reported in the government-wide statements. 14,749

Amortization of various pension items 16,917

**Change in Net Position of Governmental Activities (Exhibit A-2):** \$ 3,635,521

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**AUGUST 31, 2017**

B-5

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Choice Partners</u>	<u>Internal Service Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 1,616,156
Due from Vendors	1,047,287	-
Prepaid Items	1,250	284,105
<b>Total Assets</b>	<u>1,048,537</u>	<u>1,900,261</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflow related to TRS	197,328	-
<b>Total Deferred outflows of resources</b>	197,328	-
<b>LIABILITIES</b>		
Accounts payable	24,612	190,521
Accrued wages payable	-	11,013
Claims Payable - due within one year	-	267,488
Due to other funds	998,830	-
Unearned Revenues	400	-
Net Pension Liability	175,886	-
<b>Total Liabilities</b>	<u>1,199,728</u>	<u>469,022</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflow related to TRS	46,137	-
<b>Total Deferred inflows of resources</b>	46,137	-
<b>NET POSITION</b>		
Unrestricted	-	1,431,239
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ 1,431,239</u>

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Choice Partners</u>	<u>Internal Service Funds</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 4,371,278	\$ 5,020,120
<b>Total Operating Revenues</b>	<u>4,371,278</u>	<u>5,020,120</u>
<b>OPERATING EXPENSES</b>		
Payroll Costs	1,163,228	2,354,833
Professional Services	312,929	1,582,693
Supplies and Materials	64,041	360,600
Miscellaneous Operating Expenses	<u>242,997</u>	<u>707,245</u>
<b>Total Operating Expenses</b>	<u>1,783,195</u>	<u>5,005,371</u>
<b>Operating Income</b>	2,588,083	14,749
Transfer Out	<u>(2,588,083)</u>	<u>-</u>
Change in net position	-	14,749
Total Net Position-Beginning	<u>-</u>	<u>1,416,490</u>
<b>Total Net Position-Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,431,239</u></u>

The notes to the basic financial statements are an integral part of this statement.



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Choice Partners</u>	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from interfund services provided	\$ 6,959,361	\$ 5,020,120
Payments to employees	(1,163,228)	(2,349,434)
Payments to suppliers	(3,208,050)	(2,397,351)
Payments for workers' compensation claims	-	(374,116)
Net cash provided by (used by) operating activities	<u>2,588,083</u>	<u>(100,781)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Advances (to) the General Fund	<u>(2,588,083)</u>	-
Net cash used by Noncapital Financing Activities	<u>(2,588,083)</u>	-
Net decrease in cash and cash equivalents	-	(100,781)
Cash and cash equivalents at beginning of year	-	<u>1,716,937</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,616,156</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Operating income	2,588,083	14,749
<b>CHANGES IN ASSETS AND LIABILITIES:</b>		
Decrease (increase) in prepaid items	(1,250)	(40,315)
Decrease (increase) in accounts receivable	310,855	-
Decrease (increase) in deferred outflow related to TRS	(25,842)	-
Increase (decrease) in accounts payable	5,801	9,576
Increase (decrease) in accrued wages payable	-	5,399
Increase (decrease) in interfund payables	(317,444)	-
Increase (decrease) in claims payable	-	(90,190)
Increase (decrease) in net pension liability	10,678	-
Increase (decrease) in deferred inflow related to TRS	<u>17,202</u>	-
<b>Net cash provided by operating activities</b>	<u><u>\$ 2,588,083</u></u>	<u><u>\$ (100,781)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**AUGUST 31, 2017**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 39,633
<b>Total Assets</b>	<u>\$ 39,633</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 6,807
Due to student groups	<u>32,826</u>
<b>Total Liabilities</b>	<u>\$ 39,633</u>

The notes to the basic financial statements are an integral part of this statement.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 1. Summary of Significant Accounting Policies**

The Harris County Department of Education (the Department) is a local government or special district incorporated in 1889 operating under applicable laws and regulations of the State of Texas. A seven-member Board of School Trustees, elected to staggered six-year terms, has governance responsibilities over all activities and operations of the Department. The Department prepares its financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified by the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide*. The Department receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The following is a summary of the most significant accounting policies:

**A. Reporting Entity**

Harris County Department of Education is considered an independent entity for financial reporting purposes and is considered a primary government. The Department is not included in any other governmental "reporting entity" as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*.

The Harris County Board of School Trustees (the Board) is elected by the public and it has the authority to make decisions, appoint the superintendent, ratify personnel changes, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Department is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB).

The Department has implemented Government Accounting Standards Board Statement No. 39 and 61 (GASB 39 and 61), *Determining Whether Certain Organizations are Component Units*. This statement requires the Department to report certain legally separate organizations as component units even though the Department is not financially accountable for these organizations. The Statement requires that a legally separate tax-exempt organization be reported as a Component Unit if all of the following criteria are met:

- a. The economic resources of the separate organization entirely, or almost entirely, directly benefit the primary government, its component units, or its constituents.
- b. The primary government or its component units are entitled to, or can otherwise access, a majority of the economic resources of the separate organization.
- c. The economic resources of the individual separate organization that the primary government or the component unit is entitled to, or can otherwise access, are significant to that primary government.

The Harris County Department of Education Public Facility Corporation (PFC) meets the criteria set out by GASB 39 and has been included as a blended component unit in the financial statements of the Department. The PFC, a legally separate entity, is, in substance, part of the Department's operations and its purpose is to finance the Department's construction and building acquisition needs. The Department is financially accountable since the PFC is fiscally dependent. Therefore, the PFC is reported as a capital projects fund.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

The Education Foundation of Harris County (EFHC) meets the criteria set out by GASB 39 and GASB 61 and has been included as a discretely-presented component unit in the financial statements of the Department. The EFHC, a non-profit entity, was set up to raise money to support the Department. A financial statement may be obtained from the office the EFHC. No other organizations meet the criteria specified by GASB 39 to be included as a component unit within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Harris County Department of Education non-fiduciary activities with most of the interfund activity removed. Governmental activities include programs which are supported primarily by taxes and intergovernmental revenues. Business-type activities are reported separately and rely significantly on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Depreciation expense has been allocated to all applicable functions in order to present the expenditures of the Department more accurately on the Statement of Activities. *Program revenues* include 1) payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or division, and 2) grants and contributions that are restricted to meeting operational requirements of a given function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet, Proprietary Fund Statement of Net Position, and Fiduciary Fund Statement of Fiduciary Assets and Liabilities and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Department's department wide function and various other functions of the Department. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for Department operations, they are not included in the government-wide statements. The Department considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with GASB Statement No. 33. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences are reported in governmental funds only when they mature (i.e. unused reimbursable leave still outstanding following retirement.) A claim or judgment is only recognized as expenditure and a liability in a governmental fund as of the date that payment became due pursuant to the terms of a settlement agreement or court judgment. The Department considers state and federal revenues and interest revenues available if they are collected within 60 days after year end.

Revenues from local sources consist primarily of property taxes and are recorded as revenue when received. Revenues received from the local school districts are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Primarily, grant funds are collected on a reimbursement basis, since expenditures have already been made and reported. If grant funds are received in advance, they are recorded as unearned revenues until related and authorized expenditures have been made. If revenue balances remain at the end of the reporting period, grantors often require the Department to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net assets, and unrestricted net assets. The agency funds record only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed. For Fiduciary Fund types, the Department has only Agency Funds and as such, these funds have no measurement focus, but utilize the accrual basis of accounting for reporting its assets and liabilities.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**D. Fund Accounting**

Harris County Department of Education's accounts are organized on the basis of funds in accordance with the rules prescribed in the Texas Education Agency's *Financial Accountability System Resource Guide*. Each fund is considered a separate accounting entity. The operations of each fund are accounted for by providing separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. For financial statement presentation, the Department's fund financial statements provide more detailed information about the Department's most significant funds (not the Department as a whole).

The Department reports the following major governmental funds:

General Fund is the Department's primary operating fund and is used to account for all financial transactions not properly includable in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund. Major revenue sources include charges for services, property tax revenues and local and federal source revenue not accounted for in Special Revenue Funds. Expenditures include all costs associated with the daily operations of the Department except for specific programs funded by the federal or state government, debt service, and capital projects.

Head Start Program Fund, a Special Revenue Fund, is used to account for funds granted for the Head Start Program by the United States Department of Health and Human Services.

Federal After-School Partnership Fund, is funding to provide professional development opportunities, supplemental funding for comprehensive programs and project-based providers that offer activities that support language literacy and numeracy development, collaborative reading initiatives and educational material and equipment for use in out of school time programs.

PFC Capital Projects Fund accounts for the expenditures of the proceeds of lease revenue bonds sold by the Harris County Department of Education Public Facility Corporation and the payment for constructing, renovating, equipping, and/or acquisition of facilities to support Department programs

The Department reports the following governmental fund types under non-major governmental funds:

Special Revenue Funds are used to account for local, state, and federal grants. Resources accounted for in these funds are awarded to the Department for the purpose of accomplishing specific educational tasks as defined by grantors in contracts or other agreements. Project accounting is employed to maintain integrity for the various sources of funds.

Resources accounted for in these funds are awarded to the Department for the purpose of accomplishing for in these funds are awarded to the Department for the purpose of accomplishing specific educational tasks as defined by grantors in contracts or other agreements.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal, interest, and related costs. The primary revenue source is local service contracts.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

The Department reports the following proprietary fund types:

Enterprise Fund is a major business-type activity that is used to report activities for which a fee is charged to external users of good and services. It is used to account for Choice Partners National Cooperative which offers quality, legal procurement and contract solutions to meet the purchasing needs of school districts and other governmental entities. Through this cooperative purchasing program, members gain immediate access to legal, competitively bid contracts they need, saving time and money on the bidding and purchasing process.

Internal Service Funds account for revenues and expenses related to services provided to organizations inside the Department on a cost reimbursement basis. The following internal service funds are used by the Department:

Workers' Compensation Fund includes accounts for the Department's partially self-funded workers' compensation plan, which is supported by Department contributions. Operating expenses consist of insurance claims paid and payments to the third-party administrator of the plan for claims processing and administrative fees.

Facility Charges Fund includes accounts for revenues and expenses related to services provided to other programs within the Department. Revenues are received based on fees charged for services. Expenses include payments to employees and charges incurred to operate the programs.

Additionally, the Department reports the following fiduciary fund:

Agency Fund reflects only those assets and liabilities related to student activity funds. The school principal is responsible, under the authority of the Board, for collecting, controlling, disbursing, and accounting for all school activity funds. The fund is custodial in nature (assets equal liabilities) and cannot be used by the Department for general operations.

E. Other Accounting Policies-Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Department's cash and cash equivalents are cash on hand, demand deposits, and overnight sweeps. The Department reports cash and cash equivalents in the Department's statement of cash flows for Proprietary Fund Types and in all other financial statements of financial position.

Investments primarily consist of U.S. government agency securities, privately-managed public funds investment pools, money market mutual funds, and short-term investments. Investments for the Department are reported at fair value, based on quoted market prices at year-end date, except for investment pools. The Department's investment pools are valued and reported at amortized cost, which approximates fair value.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

The Department categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Department's local government investment pools are recorded at amortized costs as permitted by GASB Statements No. 79, *Certain Investment Pools and Pool Participants*.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables are shown net of an estimated allowance for uncollectible. The property tax receivable allowance approximates 2 percent of outstanding property taxes at August 31, 2017. Revenues from property taxes are recognized when levied to the extent they are available.

The Department considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are established by Harris County Appraisal District (Harris County, Texas) as of January 1 of each year. Prior to September 1 of each year, the Department must adopt its annual budget and, as soon thereafter as practicable, the Board of School Trustees shall adopt a tax rate thus creating the tax levy. Property taxes are levied on approximately October 1 of each year in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and taxes become delinquent if not paid before February 1. On July 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Billing and collection of taxes are performed by the Harris County Tax Assessor-Collector's Office.

The Department is permitted to levy taxes up to \$0.01 (one cent) for maintenance and operations by state law. The tax rate for tax year 2016 (fiscal year 2016-17) was \$0.005200 per \$100 assessed property valuation for maintenance and operations. The Department does not have a debt service rate. An allowance for uncollectible taxes is based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off by the Department, as provided by specific statutory authority from the Texas Legislature.

3. Inventories and Prepaid Items

Inventories consisting of consumable custodial and maintenance supplies are stated at cost (average cost method) when the items are purchased, and are subsequently recognized as expenditures when consumed. A portion of fund balance is categorized as non-spendable to reflect the actual inventory on hand at August 31.



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These expenditures/expenses will be recorded when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost greater than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Buildings and improvements and furniture and equipment of the Department are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and Improvements	40
Furniture and Equipment	3-10

Land and construction in progress are not depreciated.

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts are amortized over the life of the bonds, using the straight-line method of amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as period costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as fund expenditures.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

6. Compensated Absences

a. Accrued Sick and Personal Leave

The Department maintains a policy allowing employees meeting established requirements to be compensated for unused personal and sick leave at retirement. A full-time employee who is eligible to retire under the Teacher Retirement System and has been employed by the department (HCDE) for five consecutive years immediately preceding retirement shall be paid for accumulated local personal and sick leave at the employee's current daily rate. A maximum number of days apply (one-half of the employee's annual contract/work schedule days with a maximum of 120 days) paid to the employee at retirement at the daily rate in effect at the time of retirement.

In the case of death of a full-time employee, the accumulated local sick and personal leave that the full-time employee has shall be paid to the deceased employee's beneficiary if the employee was employed by Department for a continuous period of at least five consecutive years. This payment and the maximum number of days for payment is computed the same way for employees who retire from the Department.

b. Vacation

Full-time employees who are normally scheduled, and actually work, forty hours per week in a 12-month position shall receive paid vacation each calendar year beginning January 1 and ending December 31. Employees are eligible to take vacation at any time after January 1<sup>st</sup> of the year following the year the vacation is received. Vacation accrued in the year preceding termination/retirement and not used and any vacation accrued in the current year will be paid to employees upon termination. Vacations are to be taken in the calendar year following the year they are earned; and any unused days at the end of the year are forfeited. Therefore, the liability recognized in the government-wide financial statements exists only at the end of the fiscal year.

7. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Fund Balances and Net Position

Net position on the Statement of Net Position include the following:

**Net investment in capital assets** – the component of net position that reports capital assets less the accumulated depreciation, and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Restricted for program** – the component of net position that reports the difference between assets and liabilities of the capital acquisition program that consists of assets with constraints placed on their use by the bond contracts and covenants contained therein.

**Unrestricted** – the difference between the assets and liabilities that are not reported in net investment in capital assets, the deferred outflows and inflows recorded for TRS, or restricted net position.

The Department applies restricted resources before unrestricted resources when an expense is incurred for which restricted net position are available. In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Beginning with fiscal year 2011, the Department implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement clearly defines fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

Non-spendable Fund Balance

Non-spendable fund balance is that portion of fund balance that is not expendable (such as inventory) or is legally earmarked for a specific use. Non-spendable fund balance may include inventories, prepaid items, and long-term receivables.

Spendable Fund Balances

Spendable fund balance is composed of restricted, committed, assigned, and unassigned portions. Components of the spendable fund balance include:

**Restricted Fund Balance** – the component of the spendable fund balance constrained to a specific purpose by the provider, such as a grantor. Restricted fund balance includes \$10,874,006 for the PFC reserves.

**Committed Fund Balance** – the component of the spendable fund balance constrained to a specific purpose by the Board. An agenda item and a resolution are prepared and presented to the board of trustees for approval. Board approval is required to establish, modify, or rescind a fund balance commitment. Only the highest-level action that constitutes the most binding constraint can be considered a commitment for fund balance classification purpose. Committed fund balance includes \$1,000,000 for capital projects, \$375,000 for retirement leave, and \$200,000 for unemployment. HCDE does not have any committed fund balances for campus activity funds.

**Assigned Fund Balance** – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent or designee (Assistant Superintendent for Business Services). Policy CE Local was amended April 2011 by the Board of Trustees to provide the Superintendent or designee (Assistant Superintendent for Business Services) this authorization.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

Listed below are HCDE's assigned fund balance details:

Description	Amount
Asset Replacement	\$ 861,576
Building & Vehicle Replacement	597,000
Local Construction	2,700,000
New Program Initiative	610,461
PFC Lease Payment	2,454,263
QZAB Bond Payment	690,329
Recovery High School	950,000
Workforce Development	500,000
<b>Total Assigned Fund Balance</b>	<b>\$ 9,363,629</b>

Unassigned Fund Balance – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures and totals to \$17,020,303 which is 33% of the 2016-17 general fund annual budget expenditures and other sources (uses). The Department maintains an unassigned fund balance equal to a minimum of two months of operational costs. This amount is within the adopted board policy CE (Local).

In general, it is HCDE policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which restricted and unrestricted (i.e. committed, assigned, or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

9. Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The Department has two items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

10. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

11. Implementation of New Standards

In the current fiscal year, the Department implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 82, Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

GASB Statement No. 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 2. Stewardship, Compliance, and Accountability**

**A. Budgetary Data**

The Department is legally required to prepare a budget for adoption for the general and debt service funds. However, a budget for all funds – general, special revenue, debt service, capital projects, and internal service funds is prepared for managerial and oversight purposes as required in Board policy. The general fund budget appears in the *required supplementary information* section where the Department discloses the original budget and compares the final amended budget to actual revenues and expenditures. The Department is not legally required to adopt an annual budget for Special Revenue Funds. All Special Revenue Fund budgets are prepared as project length budgets. Per regulatory requirements, the debt service fund is required to be reported with the original budget, amended budget, and actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the financial schedules:

1. In January each year, the Department's administration determines budgetary funding priorities, and begins the preparation of an official budget for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to September 1 the budget is formally approved and adopted by the Board.
3. A meeting of the Board is called for the purpose of adopting the proposed budget. At least ten days public notice must be given

Once a budget has been approved, budget amendments that increase or decrease an individual budget or increase or decrease *revenues* and *other sources* object accounts must be approved by a majority of the Board of School Trustees. Department budget directors may make transfers within individual budgets at any time during the fiscal year with the approval of the Assistant Superintendent for Business Support Services. Amendments are presented to the Board at each of its regular meetings. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The Department made several supplemental budgetary revisions throughout the year; these revisions are detailed in the notes to the required supplementary information.

Each budget is controlled by the budget manager at the revenue and expenditure fund/object level. All general fund budget appropriations lapse at year end.

**B. Encumbrances**

Encumbrance accounting (under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation) is employed in governmental funds.

Encumbrances out-standing at year end are commitments that do not constitute expenditures or liabilities, but are reported as assigned fund balances. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. HCDE does not provide funding for encumbrances in the subsequent fiscal year.

**Note 3. Deposits and Investments**

The Department's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act and local Board policy. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the Department's and the depository bank's agent bank. The pledged securities shall be in an amount sufficient to protect Department funds

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount insured by the Federal Deposit Insurance Corporation (FDIC). The Department must approve all collateral securities pledged and must also approve in writing any changes to the pledged securities. The Department receives monthly pledge reports.

The Department's investment policy is in accordance with the Texas Public Funds Investment Act, the Public Funds Collateral Act, federal and state laws, and board policy. The Department further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, repurchase agreements, commercial paper, money market mutual funds, and public funds investment pools.

During fiscal year 2017, the Department invested in the Texas Local Government Investment Pool (Texpool), Lone Star Investment Pool, and Texas Short Term Asset Reserve Program (TexSTAR). These external pools operate like a "2a7" pool (except TexStar) and these investments are carried at amortized cost in accordance with GASB 31. The fair value of the Department's position in the above pools is the same as the value of the pool shares.

Texpool is duly chartered and overseen by the Texas Comptroller's Office, administered and managed by Federated Investors. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating agency (NRSRO); and securities lending programs.

Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon Asset Management and American Beacon Advisors. The Bank of New York Mellon is the custodial bank. Lone Star Investment Pool is restricted to invest in obligations of the U.S. or its agencies and instrumentalities; other obligations insured by the U.S.; fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously; and SEC-regulated no-load money market mutual funds, the assets which consist exclusively of the obligations described above.

TexSTAR is a local government investment pool created under the Texas Interlocal Cooperation Act. TexSTAR is overseen by a Governing Board consisting of individuals from participating government entities in the pool and a representative from each administrator. The business and affairs of TexSTAR are managed by the Board. In addition, TexSTAR has an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR that provide feedback to the Board. JPMorgan Investment Management, Inc. provides investment management, fund accounting, transfer agency and custodial services for the pool and First Southwest, a division of Hilltop Securities provides administrative, marketing and participant services. The portfolio is restricted to U.S. government securities, agencies and instrumentalities, and fully collateralized repurchase agreements having a defined termination date. Unlike money market mutual funds which are registered with the Security and Exchange Commission, TexSTAR does not operate in a manner consistent with the Rule 2a-7 of the Investment Company Act of 1940. TexSTAR is in full compliance with GASB 79 and reports its investments using fair value.

#### Interest rate risk

Interest rate risk is the risk that changes in interest rates may adversely impact the value of investments. The Department mitigates exposure to this risk by using varied maturity limits and investment diversification. In accordance with its investment policy, the Department manages its exposure to declines in fair values by limiting the weighted average maturity of its investments to less than one year in the General and Special Revenue Funds, except for investment pools. Investment officers are expected to exercise prudence in the selection of securities to minimize risk. No individual investment transaction shall be initiated which jeopardizes the total capital position

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

of the total portfolio. In addition, the Department shall not directly invest in an individual security which will mature more than three years from the date of purchase in the Debt Service and Capital Projects Funds.

Interest rate risk

Interest rate risk is the risk that changes in interest rates may adversely impact the value of investments. The Department mitigates exposure to this risk by using varied maturity limits and investment diversification. In accordance with its investment policy, the Department manages its exposure to declines in fair values by limiting the weighted average maturity of its investments to less than one year in the General and Special Revenue Funds, except for investment pools. Investment officers are expected to exercise prudence in the selection of securities to minimize risk. No individual investment transaction shall be initiated which jeopardizes the total capital position of the total portfolio. In addition, the Department shall not directly invest in an individual security which will mature more than three years from the date of purchase in the Debt Service and Capital Projects Funds.

Credit risk

State law limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations.

The Department's Investment Policy allows for investment in commercial paper provided it meets the following criteria:

1. the maximum maturity does not exceed 270 days from the date of issuance
2. it is rated at least A1 or P1 by two nationally recognized credit rating agencies or by one agency when fully secured by an irrevocable letter of credit from a United States or by the law of any state.

At year-end, balances in Texpool, LoneStar and TexSTAR were all rated AAAM by Standard & Poor's as required by the Public Fund Investments Act.

Concentration of credit risk

The Department's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions so that no single investment or class of investments can have a disproportionate impact on the total portfolio. Diversification to avoid over-concentration in a specific instrument does not apply to U.S. Treasury securities, investment pools, and money market mutual funds.

Custodial credit risk-deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. As of August 31, 2017, the carrying amount of the Department's deposits was \$6,022,376 and the bank balance was \$6,571,454. The Department's entire bank balance on August 31, 2017 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the Department's agent in the Department's name.

Custodial credit risk-investments

For investments, this is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value or its investments or collateral securities that are in the possession of an outside party.

The Department's policy requires that a third-party bank trust department hold all securities owned by the Department. HCDE was not exposed to custodial risk for investments.



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

As of August 31, 2017, the Department held the following deposits (cash) and investments:

<b>Type of Investments</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Days)</b>	<b>Percentage of Investment Portfolio</b>	<b>S&amp;P Credit Quality Rating</b>
<b>Public Funds Investment Pools:</b>				
TexStar	\$ 18,137,209	33	46.65%	AAAm
Lone Star	2,521,588	22	6.49%	AAAm
TexPool	12,200,603	31	31.38%	AAAm
Governmental Activities				
Total Investments	32,859,400		84.51%	
<b>Cash and Cash Equivalents</b>				
Governmental Activities	6,022,374		15.49%	
Total Cash and Cash				
Equivalents	6,022,374		15.49%	
	38,881,774		100.00%	
<b>Portfolio Weighted Average Maturity</b>		29		

Although TexPool, TexSTAR, and Lone Star have a weighted average maturity greater than one day, the pools offer daily liquidity to the Departments funds.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 4. Receivables**

Receivables as of year-end for the Department's individual major funds, non-major and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Funds		Nonmajor & Other Funds	Total
		Head Start Program	After-School Partnership		
<b>Receivables:</b>					
Property taxes	\$ 864,219	\$ -	\$ -	\$ -	\$ 864,219
Due from other governments:					
Local	-	-	-	-	-
Federal	155,195	905,122	533,935	2,198,726	3,792,978
Other receivables	1,242,486	17		532,808	1,775,311
Gross Receivables	2,261,900	905,139	533,935	2,731,534	6,432,508
Less: Allowance for uncollectible taxes	(17,285)		-		(17,285)
Less: Allowance for uncollectible receivables	(400,000)	-	-	-	(400,000)
<b>Total Receivables, net</b>	<b>\$ 1,844,615</b>	<b>\$ 905,139</b>	<b>\$ 533,935</b>	<b>\$ 2,731,534</b>	<b>\$ 6,015,223</b>

Other receivables are made of amounts due from school districts and other clients.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or unearned revenue in connection with resources that have been received, but not yet earned. At August 31, 2017, the deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable (General Fund)	\$ 846,934	\$ -
Grant Revenues Received but not Expended	-	971,838
<b>Total Deferred Inflows of Resources/Unearned Revenue for Governmental Funds</b>	<b>\$ 846,934</b>	<b>\$ 971,838</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 5. Interfund Receivables, Payables, and Transfers**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more non-major governmental funds. The composition of interfund balances at August 31, 2017, consisted of the following:

	Interfund Receivables	Interfund Payables
<b>Governmental Funds:</b>		
General Fund	\$ 3,507,556	\$ -
Head Start Program - Special Revenue Fund	-	891,426
Nonmajor Governmental Funds	-	1,617,300
Business-Type Fund - Choice Partners	-	998,830
<b>Total Governmental Funds</b>	<u>3,507,556</u>	<u>3,507,556</u>

Interfund transfers are defined as “flows of assets without equivalent flows of assets in return and without a requirement for repayment.” The following is a summary of the Department’s transfers for the fiscal year ended August 31, 2017:

\$ 3,684,519	From the General Fund to the Non-Major Funds to fund the local match and routine debt service payments
4,994,999	From the General Fund to the PFC Capital Project to fund the local grant match for the AB West Project
2,588,083	From the Enterprise fund to the General Fund to support HCDE programs
<u>\$ 11,267,601</u>	

For reporting at the government-wide financial statement level, the Department eliminates direct interfund charges for services and the balances created within the same activity categories (i.e. governmental vs internal service fund). This process insures neither governmental nor proprietary fund report direct internal revenue/expenditures. Interfund activity and balances resulting from transaction with the fiduciary funds are not eliminated. Instead, the fiduciary interfund activity and balances are treated as transactions with an external party.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 6. Capital Assets**

Capital asset activity for the year ended August 31, 2017, are as follows:

	Beginning Balance	Additions	Transfers, Adjustments, and Retirements	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land-General Fund -GF	\$ 1,181,933	\$ -	\$ -	\$ 1,181,933
Land-Public Facility Corporation -PFC	407,578	949,765	-	1,357,343
Construction in Progress	456,620	33,750	(456,620)	33,750
<b>Total Capital Assets, not being Depreciated</b>	<u>2,046,131</u>	<u>983,515</u>	<u>(456,620)</u>	<u>2,573,026</u>
<b>Capital Assets being Depreciated:</b>				
Buildings and Improvements-GF	26,964,104	466,723	429,775	27,860,602
Buildings and Improvements-PFC	31,927,568	-	26,845	31,954,413
Furniture and Equipment-GF	12,279,143	329,628	-	12,608,771
<b>Total Capital assets,being Depreciated</b>	<u>71,170,815</u>	<u>796,351</u>	<u>456,620</u>	<u>72,423,786</u>
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements-GF	(8,454,537)	(634,182)	-	(9,088,719)
Building and Improvements-PFC	(7,030,225)	(536,911)	-	(7,567,136)
Furniture and Equipment-GF	(8,910,973)	(840,354)	(53,975)	(9,805,302)
<b>Total Accumulated Depreciation</b>	<u>(24,395,735)</u>	<u>(2,011,447)</u>	<u>(53,975)</u>	<u>(26,461,157)</u>
<b>Total Capital assets, being Depreciated, net</b>	<u>46,775,080</u>	<u>(1,215,096)</u>	<u>402,645</u>	<u>45,962,629</u>
<b>Total Governmental Activities Capital Assets, net</b>	<u>\$ 48,821,211</u>	<u>\$ (231,581)</u>	<u>\$ (53,975)</u>	<u>\$ 48,535,655</u>

**Construction Commitments**

The Department has active construction project as of August 31, 2017. The Fortis Academy has remaining commitments of \$33,750 for architect contracts. The Department has fully funded these construction commitments.

Depreciation expense was charged to Department programs as follows:

<b>Governmental Activities:</b>	
Adult Education Program	\$ 40,079
Center for Safe & Secure Schools	6,417
Communications	7,154
Ctr for After-School, Summer and Expanded Learning	1,075
Department Wide	99,670
Digital Learning & Instructional Technology	35,317
Facility Support Services	868,349
Head Start Program	153,437
Records Management Services	77,682
Special Schools Programs	358,639
Technology Support Services	369,913
Technology Cloud Project	39,803
School Based Therapy Services	2,272
The Teaching & Learning Center	5,615
<b>Total Depreciation Expense</b>	<u>\$ 2,065,422</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 7. Long-Term Liabilities**

Long-term liabilities consist of lease revenue bonds, qualified zone academy bonds (QZAB), maintenance tax notes, workers' compensation, and compensated absences. Lease revenue bonds are liquidated in the Debt Service Fund. Workers' compensation claims are liquidated in the internal service fund and compensated absences are liquidated in the General Fund. Maintenance tax notes and QZABs are liquidated in the Debt Service Fund.

**A. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
<b>Bonds and Notes Payable:</b>					
Lease Revenue Bonds	\$ 10,965,000	\$ 7,000,000	\$ (2,110,000)	\$ 15,855,000	\$ 2,150,000
Qualified Zone Academy Bonds	3,160,000	-	(451,429)	2,708,571	451,429
Maintenance Tax Notes	680,000	-	(220,000)	460,000	225,000
Plus:					
Issuance Premiums	39,750	-	(9,697)	30,053	9,697
<b>Total Bonds and Notes Payable, net</b>	<b>14,844,750</b>	<b>7,000,000</b>	<b>(2,791,126)</b>	<b>19,053,624</b>	<b>2,836,126</b>
Workers' Compensation	357,678	-	(90,190)	267,488	267,488
Compensated Absences	4,336,936	-	(108,078)	4,228,858	859,097
<b>Total Long-term Liabilities</b>	<b>\$ 19,539,364</b>	<b>\$ 7,000,000</b>	<b>\$ (2,989,394)</b>	<b>\$ 23,549,970</b>	<b>\$ 3,962,711</b>

Proprietary Funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

**B. Bonds and Notes**

The Harris County Department of Education Public Facility Corporation (the "Corporation") has issued lease revenue bonds for the purchase and renovation of a facility for administrative offices, meeting rooms, a warehouse, and records storage. In addition, lease revenue bonds were issued for the construction and equipment of the Highpoint School for adjudicated middle and high-school students. These facilities are operated by the Harris County Department of Education (the "Department"), and debt service payments on the Corporation's lease revenue bonds are payable from the lease payments made to Corporation by the Department. In order to secure the Department's lease payments, the Department has pledged, subject to annual appropriation, future revenues of certain contract the Department annually enters with various school districts for the provision of certain services. If contract revenues are less than the debt payment, tax revenues can be used to make the debt service payments. On October 1, 2016 the Harris County Department of Education Public Facilities Corporation issued the \$7,000,000 Lease Revenue Bond Series 2016 with an interest rate of 1.68% to fund the acquisition of property and the construction, improvements and equipment of a new facility to serve special needs students in grades K-12 in an academic and behavior setting. The total cost of the project is currently estimated at an amount not to exceed \$12,000,000. The Department intends to contribute approximately \$5,000,000 toward the total cost of the project. The last bond payment is due in year 2026.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

In previous years the Department has issued maintenance tax notes for the maintenance, renovation, and equipment of the Department's facilities. The maintenance tax notes have been issued as both tax-exempt maintenance notes and as taxable qualified zone academy tax notes. The maintenance tax notes are a general obligation of the Department and are secured by the Department's maintenance and operations tax levy.

The Department did not issue any new debt in fiscal year ended August 31, 2017. The Department's general obligation maintenance tax debt payable and lease revenue as of August 31, 2017 is summarized as follows:

Series	Bond Type	Original Issue	Interest Rates	Maturity Dates	Beginning Balance	Additions	Reductions	Amount Outstanding
2014	Lease Revenue Refunding	9,635,000	2.40%	2/15/2023	\$ 8,435,000	-	\$ (1,040,000)	\$ 7,395,000
2015	Lease Revenue Refunding	4,255,000	4.13-5.75%	2/15/2023	2,530,000	-	(420,000)	2,110,000
2016	Lease Revenue Bond	7,000,000	1.68%	2/15/2026	-	7,000,000	(650,000)	6,350,000
2009A	QZAB *	6,320,000	0.00%	8/31/2023	3,160,000	-	(451,429)	2,708,571
2009B	Maintenance Tax Notes	2,000,000	3.00-4.00%	2/15/2019	680,000	-	(220,000)	460,000
<b>Totals</b>					14,805,000	7,000,000	(2,781,429)	19,023,571
Plus: Issuance Premiums					39,750	-	(9,697)	30,053
<b>Totals</b>					<u>\$ 14,844,750</u>	<u>\$ 7,000,000</u>	<u>\$ (2,791,126)</u>	<u>\$ 19,053,624</u>

\* QZAB = Qualified Zone Academy Bonds

The following tables summarize by type the annual debt service requirements of the outstanding debt issues at August 31, 2017 to maturity.

<b>Lease Revenue Bonds</b>			
Years Ended			Total
August 31	Principal	Interest	Requirements
2018	\$ 2,150,000	\$ 304,262	\$ 2,454,262
2019	2,200,000	258,368	2,458,368
2020	2,255,000	211,181	2,466,181
2021	2,305,000	162,613	2,467,613
2022	2,350,000	113,032	2,463,032
2023-2026	4,595,000	118,255	4,713,255
<b>Totals:</b>	<u>\$ 15,855,000</u>	<u>\$ 1,167,711</u>	<u>\$ 17,022,711</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

<b>Qualified Zone Academy Bonds &amp; Maintenance Tax Notes</b>			
<b>Years Ended</b>			<b>Total</b>
<b>August 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2018	\$ 676,429	\$ 13,900	\$ 690,329
2019	686,428	4,700	691,128
2020	451,428	-	451,428
2021	451,429	-	451,429
2022	451,429	-	451,429
2023	451,428	-	451,428
<b>Totals:</b>	<b>\$ 3,168,571</b>	<b>\$ 18,600</b>	<b>\$ 3,187,171</b>

Annual debt service requirements to maturity for the lease revenue bonds, QZABs, and maintenance tax notes are as follows:

<b>Years Ended</b>			<b>Total</b>
<b>August 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2018	\$ 2,826,429	\$ 318,163	\$ 3,144,592
2019	2,886,428	263,067	3,149,495
2020	2,706,428	211,181	2,917,609
2021	2,756,429	162,613	2,919,042
2022	2,801,429	113,032	2,914,461
2023-2026	5,046,428	118,255	5,164,683
<b>Totals:</b>	<b>\$ 19,023,571</b>	<b>\$ 1,186,311</b>	<b>\$ 20,209,882</b>

**Note 8. General Fund Federal Program Revenue**

Revenue from indirect cost earned on federal grants in the Special Revenue Funds is recognized in the General Fund. A summary of federal program revenue for the fiscal year August 31, 2017 follows:

<b>Fund</b>	<b>Amount</b>
ABE Temporary Assistance for Needy Families	\$ 8,582
Adult Basic Education Regular (ABE)	155,964
CASE 21st Century Community Learning Centers	28,977
Head Start Program	1,179,588
USRA Lunar Plantary Inst-R&E	501
<b>Total General Fund Federal Program Revenue</b>	<b>\$ 1,373,612</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 9. Shared Service Arrangements**

The Department is the fiscal agent for two Shared Service Arrangements (SSA) that provide after school program services to the member independent school districts and charter schools. According to guidance provided in the *Financial Accountability System Resource Guide*, the Department has accounted for the fiscal agent's activities of the SSA using Model 3 in the SSA section.

- A. After School Partnership Program - During fiscal year 2017, the Department was the fiscal agent for a SSA passed through the Gulf Coast Workforce Solutions Board. The following table shows member participation in the program:

Members	Expenditures
<i>Fiscal Agent -</i> HCDE	\$ 1,650,043
<i>Pass-Through Expenditures -</i> School Districts:	
Aldine ISD – 2 Campuses	80,000
Houston ISD – 8 Campuses	191,161
Pasadena ISD – 4 Campuses	145,000
Alief ISD - 2 Campus	84,622
Galena Park ISD - 1 Campus	10
Sheldon ISD - 3 Campus	60,000
Charter Schools:	
Academy for Accelerated Learning	39,608
Southwest Charter	19,935
<b>Total Pass-through Expenditures</b>	<u>620,336</u>
Local contributions	850,787
<b>Grand Total Expenditures</b>	<u><u>\$ 1,419,592</u></u>

- B. 21st Century Community Learning Centers - During fiscal year 2017, the Department was the fiscal agent for 19-member independent school districts and 1 charter school (20 campuses total) in a SSA whose U.S. Department of Education funding is passed through the Texas Education Agency. The following table shows the members participation in the program:

Members	Expenditures
<i>Fiscal Agent -</i> HCDE	\$ 441,431
<i>Pass-Through Expenditures -</i> School Districts:	
Aldine ISD – 3 Campuses	479,911
Alief ISD – 3 Campuses	509,086
Clear Creek ISD-1 Campus	153,185
Galena Park ISD – 2 Campuses	305,077
Houston ISD – 1 Campus	207,526
Humble ISD – 1 Campus	135,530
Pasadena ISD – 2 Campuses	332,749
Pearland ISD – 1 Campuses	178,318
Sheldon ISD – 2 Campuses	336,551
Spring ISD-1 Campus	110,303
Spring Branch ISD – 1 Campus	185,000
*Stafford MISD – 1 Campus	146,843
Charter Schools:	
Southwest Middle	156,800
<b>Total Pass-Through Expenditures</b>	<u>3,236,879</u>
<b>Grand Total Expenditures</b>	<u><u>\$ 3,678,310</u></u>

\* MISD = Municipal Independent School District



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 10. Department-Wide Budget**

The Department-Wide budget account is for expenditures in the General Fund that impact the Department as a whole and not just a single program, as follows:

State mandated programs (TRS on behalf, etc.)	\$ 2,829,795
Professional services	673,223
Facility support charges	2,145,893
Miscellaneous operating	996,571
Capital Outlay	216,663
<b>Total</b>	<u><u>\$ 6,862,145</u></u>

**Note 11. Risk Management**

- A. Health Insurance - During the year ending August 31, 2017, employees of the Harris County Department of Education were covered by a health insurance plan (the Plan). The Department contributed \$252.24 per month for health insurance options which include Active Care 1-HD/ Employee Only, Active Care 1/ Employee-only or all other Active Care Plans; and employees, at their option, authorize payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between HCDE and the licensed insurer is renewable; terms of coverage and premium cost are included in the contractual provisions.
- B. Property, Casualty, and Liability Insurance - The Department is exposed to various risks of loss related to torts: theft, damage and destruction of property; errors and omissions; and natural disasters for which the Department carries commercial insurance and participates in a risk pool. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.
- C. Workers' Compensation - Effective September 1, 2016, the Department participated in a fully-insured worker's compensation program with Texas Mutual. Prior to September 1, 2016, HCDE participated in a partially self-funded pool, originally approved by the Board in fiscal year 2005. Claims administration, loss control, and consultant services are provided for by a third-party administrator for unpaid claims from the self-insurance plan. Claims Administrative Services Inc. (CAS) will continue to service any open claims or any claims filed before September 1, 2016. The Department established an internal service fund, Workers' Compensation Fund, to account for the plan. The pool obtained stop loss insurance which limits annual claims paid liability to \$1,000,000 for any individual claim before the stop loss coverage begins, and an aggregate fiscal year limit of \$5,000,000.

	<u>Year Ended</u> <u>8/31/2017</u>	<u>Year Ended</u> <u>8/31/2016</u>
Unpaid claims, beginning of fiscal year	\$ 357,680	\$ 468,658
Incurred claims (Including IBNRs*)	(953)	48,754
Claims payments	(89,239)	(159,732)
Unpaid claims, end of fiscal year	<u><u>\$ 267,488</u></u>	<u><u>\$ 357,680</u></u>

\* IBNR = incurred but not reported estimated claims

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 12. Defined Benefit Retirement Plan**

**A. Plan Description**

The District participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**B. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**C. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

**D. Contributions**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<b>Contribution Rates</b>	
	<b>Plan Fiscal Year</b>	
	<b>2016</b>	<b>2017</b>
Member (Employee)	7.20%	7.70%
Non-employer contributing agency (State)	6.80%	6.80%
District	6.80%	6.80%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

	<b>Measurement Year (2016)</b>	<b>Fiscal Year (2017)</b>
	<b>Contributions Made</b>	<b>TRS Contributions</b>
Employer (District) contributions	\$ 741,368	\$ 794,101
Member (Employee) contributions	\$ 2,683,021	\$ 3,003,660
Non-employer (State) on behalf- contributions	\$ 1,860,900	\$ 1,892,118

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

### **E. Actuarial Assumptions**

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

### **F. Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimates ranges

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Geometric Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return *</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* *The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

### **G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Decrease Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9%)</u>
District's proportionate share of the net pension liability:	\$ 13,610,585	\$ 8,794,281	\$ 4,709,082

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2017, the District reported a liability of \$8,794,281 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.0233%
District's proportionate share of the collective net pension liability	\$ 8,794,281
State's proportionate share that is associated with the District	<u>22,088,591</u>
Total	<u><u>\$ 30,882,872</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0233% which is unchanged from August 31, 2015.

**Changes since the Prior Actuarial Valuation**

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the fiscal year ended August 31, 2017, the Department recognized pension expense of \$897,431 as well as revenue of \$2,292,269 representing pension expense incurred by the State on behalf of the District.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions paid to TRS subsequent to the measurement date	\$ 796,047	\$ -
Net difference between projected and current investment earnings	1,694,670	(949,988)
Difference between expected and actual experience	137,893	(262,592)
Changes in assumptions	268,034	(243,766)
Changes in proportions	139,395	(850,473)
Total	<u><u>\$ 3,036,039</u></u>	<u><u>\$ (2,306,819)</u></u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

The \$796,047 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended August 31:</b>	<b>Pension Expense Amount</b>
2018	\$ 99,631
2019	99,631
2020	(375,363)
2021	136,120
2022	95,682
Thereafter	11,126
	<u>\$ 66,827</u>

**Note 13. Retiree Health Plan**

*Plan Description*

Harris County Department of Education contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. This code grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website at [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy*

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public-school contributions, respectively. The State of Texas contribution rates were 1.25% for 2017 and 1.0% for both 2016 and 2015. Employers and active employee contribution rates were .75% for 2017 and .65% for fiscal years 2017 and 55% and 65% respectively for years 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the contribution may not be less than .25% or greater than .75% of the salary of each active employee. For staff members funded by federal programs, the federal programs are required to contribute 1.25% for 2017 and 1.0% for each 2016 and 2015.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

For Fiscal Year Ended Aug 31	State TRS Care Contributions Made On Behalf of HCDE	Department Required Contributions to TRS Care	Members' Contributions to TRS Care
2017	\$ 279,843	\$ 339,056	\$ 253,511
2016	\$ 273,875	\$ 328,635	\$ 243,206
2015	\$ 264,068	\$ 311,879	\$ 233,748
2014	\$ 266,785	\$ 307,431	\$ 234,846

The contributions made by the State on behalf of the Department have been recorded in the governmental funds financial statements as both state revenues and expenditures. In addition, the State of Texas contributed \$117,741, \$110,962 and \$104,407 in 2017, 2016, and 2015, respectively, for on-behalf payments for Medicare Part D. No ERRP reporting for FY 2017.

**Note 14. Commitments and Contingencies**

The Department received significant financial assistance from federal, state, and local governmental agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Department at August 31, 2017.

**Note 15. Litigation**

In the opinion of the Department's attorney, there is no litigation that would materially affect the financial position at August 31, 2017.

**Note 16. Hurricane Harvey**

On August 26, 2017, Hurricane Harvey, characterized as a Category 4 hurricane at its peak, made landfall in the Texas coast and producing significant flooding. Many residences and commercial and industrial properties in Harris County sustained damage. While the Department experienced damage to some facilities such damage will not have a substantial negative effect on the operation of the facilities. On August 26, 2017, the President of the United States issued a major disaster declaration, which was amended on August 27, 2017 to include Harris County, where the Department is located. The major disaster declaration made federal assistance available for debris removal and emergency protective measures, including direct federal assistance, under the Public Assistance Program. The Department expects to utilize the Department's unassigned funds to initially cover Hurricane Harvey related expenses and or to seek reimbursement from the Federal Emergency Management Agency for eligible disaster-related expenses subject to insurance deductibles. The Department has filed insurance claims to cover eligible losses at sites that sustained damage. Each site's deductible is \$100,000 of building value, with some sites having additional flood-related deductibles.



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 17 - Tax Abatements**

A Foreign Trade Zone (FTZ) is land area within the U.S. that is legally considered outside of national customs territory. These zones are governed by a federal program that streamlines, reduces and sometimes eliminates import tariffs for U.S. importers and exporters. The program was enacted in 1934 to “expedite and encourage foreign commerce.” Today there are 294 FTZs in the United States. In Harris County, Port of Houston and the Federal FTZ Board administers Foreign Trade Zone (#84) in accordance with the Foreign Trade Zone Act, which was created to “expedite and encourage foreign commerce” in the United States.

With the help of FTZ 84, existing warehouse or manufacturing sites in the Houston area can be converted to an FTZ site. New sites can be located almost anywhere in Harris County under FTZ 84 jurisdiction, and alternative FTZ programs are available in the region for outlying counties. Texas is an inventory tax state, so certain goods that are held in any FTZ in Texas qualify for reduced inventory tax. In Harris County, FTZ 84 is co-administered by Port Houston and the Federal FTZ Board. FTZ 84 is comprised of various storage facilities and manufacturing sites.

The FTZ program offers a variety of benefits that streamline, reduce or eliminate import duties for U.S. importers. Once a company has gained FTZ authorization, import duty benefits begin depending on specific actions:

**Action 1: Goods Enter The Zone**

Imported goods move into the FTZ site duty-free.

**Action 2: Goods Are Inside The Zone**

Storage, processing and manufacturing are permitted inside an FTZ site. Assembly can utilize both imported and domestic components.

**Action 3: Goods Exit The Zone**

The benefits of this action depend on the good’s destination: 1. If imported goods are then exported, no duty is charged. 2. If imported goods are discharged for domestic consumption, a duty is not due until the product leaves the zone. 3. When imported components are processed, blended or used for manufacturing inside the FTZ, the exported finished product is charged no duty. 4. When imported components are processed, blended or used in manufacturing inside the FTZ and finished products are used for domestic consumption, the duty charged is based on the duty rate of the product discharged from the FTZ instead of the duty rate of the imported components.

The interested parties submit applications for exemption to the Harris County Department of Education to create a subzone that is then operated by the business and then provides reports to the Harris County Appraisal District. There are a number of consultants and sources with information as to how the ability of a company to create a subzone for a Foreign Trade Zone is available. The Department works with the company and the consultants after an agreement is prepared. Local Ad Valorem taxes are still paid under the agreement, but all other benefits of the Foreign Trade Zone are provided to the business.

During fiscal year 2017, inventory within the Foreign Trade Zone totaled \$818 million. The Department received a tax equivalency payment of \$44,780 from the following entities: Noble Drilling Services LLC, Exxon Mobil, Inc, and Houston Refining LP.



**This page intentionally left blank**



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Back of Required Supplementary Information**



**This page intentionally left blank**

HARRIS COUNTY DEPARTMENT OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local and Intermediate Sources	\$ 43,161,469	\$ 43,477,447	\$ 42,034,954	\$ (1,442,493)
State Programs	2,944,200	3,044,200	3,031,412	(12,788)
Federal Programs	1,213,395	1,213,395	1,373,612	160,217
<b>Total Revenues</b>	<b>47,319,064</b>	<b>47,735,042</b>	<b>46,439,978</b>	<b>(1,295,064)</b>
<b>EXPENDITURES</b>				
Current:				
Adult Education Program	194,123	244,623	201,615	43,008
Assistant Superintendents' Offices	550,981	550,981	534,595	16,386
Board of Trustees	148,289	179,943	138,343	41,600
Business Support Services	1,882,881	1,897,939	1,711,576	186,363
Center for After School, Summer & Expanded Learning	192,652	294,494	273,537	20,957
Center for Safe & Secure Schools	444,036	671,294	647,093	24,201
Center for Texas Grants Development	581,163	581,163	550,918	30,245
Client Engagement	496,254	449,117	371,341	77,776
Communications	932,377	930,901	844,140	86,761
Department Wide	6,480,243	7,097,793	6,862,145	235,648
Digital Education & Innovation	256,850	256,850	188,456	68,394
Education Certification & Professional Advancement	655,643	655,643	615,966	39,677
Education Foundation	202,360	12,360	9,812	2,548
Facility Support Services	1,603,190	1,687,146	730,324	956,822
Head Start Local	5,000	5,000	1,986	3,014
Human Resources	1,004,050	1,034,594	986,813	47,781
Purchasing Support Services	529,674	542,782	487,590	55,192

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Records Management Services	1,758,919	1,759,073	1,557,380	201,693
Research & Evaluation Institute	645,528	645,528	569,923	75,605
Retirement Leave Benefits	100,000	375,000	358,964	16,036
Scholastic Art & Writing Program	107,979	107,979	101,187	6,792
School Based Therapy Services	10,987,977	10,990,780	9,701,864	1,288,916
Special Assistant to Superintendent	184,117	295,498	289,057	6,441
Special Schools & Services	11,851,327	12,943,619	10,707,840	2,235,779
Superintendent's Office	403,468	484,671	445,967	38,704
Technology Support Services	3,219,083	3,220,080	3,028,436	191,644
The Teaching & Learning Center	1,574,469	1,574,469	1,229,426	345,043
<b>Total Expenditures</b>	<b>46,992,633</b>	<b>49,489,320</b>	<b>43,146,294</b>	<b>6,343,026</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>326,431</b>	<b>(1,754,278)</b>	<b>3,293,684</b>	<b>5,047,962</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,495,527	1,495,527	2,588,083	1,092,556
Transfers Out	(8,668,958)	(9,411,405)	(8,679,518)	731,887
<b>Total Other Financing Sources (Uses)</b>	<b>(7,173,431)</b>	<b>(7,915,878)</b>	<b>(6,091,435)</b>	<b>1,824,443</b>
Net Change in Fund Balances	(6,847,000)	(9,670,156)	(2,797,751)	6,872,405
Fund Balances-Beginning	30,920,238	30,920,238	30,920,238	-
Fund Balances-Ending	<u>\$ 24,073,238</u>	<u>\$ 21,250,082</u>	<u>\$ 28,122,487</u>	<u>\$ 6,872,405</u>

See accompanying notes to the required supplementary information.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**SCHEDULE OF THE DEPARTMENTS PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**FOR THE LAST THREE MEASUREMENT YEARS ENDED AUGUST 31(1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0233%	0.0234%	0.0277%
District's proportionate share of the net pension liability	\$ 8,794,281	\$ 8,260,418	\$ 7,215,493
State's proportionate share of the net pension liability associated with the District	<u>22,088,591</u>	<u>21,177,189</u>	<u>18,967,699</u>
Total	<u>\$ 30,882,872</u>	<u>\$ 29,437,607</u>	<u>\$ 26,183,192</u>
 District's covered-employee payroll (for Measurement Year)	 \$ 37,264,186	 \$ 35,960,896	 \$ 36,028,897
 District's proportionate share of the net pension liability as a percentage of it's covered employee payroll	 23.60%	 22.97%	 20.03%
 Plan fiduciary net position as a percentage of the total pension liability*	 78.00%	 83.25%	 83.25%
 Plan's net pension liability as a percentage of covered-employee payroll*	 92.75%	 72.89%	 72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68

\* Per Teacher Retirement System of Texas Comprehensive Annual Financial Report.

(1) Ten year of data should be presented in this schedule, but data was unavailable prior to 2014  
Net pension liability and related ratios will be presented as data becomes available.



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**SCHEDULE OF THE DEPARTMENTS CONTRIBUTIONS**  
**TEACHER RETIRMENT SYSTEM OF TEXAS**  
**LAST FOUR FISCAL YEARS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 794,101	\$ 741,368	\$ 699,042	\$ 685,186
Contributions in relation to the contractual required contributions	<u>794,101</u>	<u>741,368</u>	<u>699,042</u>	<u>685,186</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 38,995,847	\$ 37,264,186	\$ 35,960,896	\$ 36,028,897
Contributions as a percentage of covered employee payroll	2.04%	1.99%	1.94%	1.90%

Note: The District began to report information when it implemented GASB Statement 68 and 71 in 2015.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

Budgets and Budgetary Accounting

The Department's administration determines budgetary funding priorities and presents an official budget to the Board of School Trustees (Board) for approval for the succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them. Budget allocations were formally approved by the Board, which subsequently established a tax rate sufficient to support the approved budget. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

Budget managers may amend budgeted amounts within their budget without seeking Board approval if the transfers do not increase or decrease the total budget or create a new funding source. Amendments to increase or decrease the programs' total budget must be approved by the Board's majority vote. Amendments are presented to the Board at its regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the meeting, and are not made after fiscal year end as required by law. During the year, the budget was amended as necessary. Each budget is controlled by the respective budget manager. Expenditures may not legally exceed budgeted appropriations, as amended. Unexpended appropriations lapse at fiscal year-end.

Budget Comparisons

The Department's General Fund final budget differs from the original budget due to budget revisions that were made during the fiscal period due to increases or decreases in demand for various services, and amendments during the year for unforeseen occurrences. The Department's major budget amendments during the year are summarized as follows:

- The revenue budget, including other resources, increased approximately \$415,978 primarily due to:
  - \$315,978 for net adjustments for budgeted customer fees due to additional contracts
  - \$100,000 for increase in employee insurance
- Appropriations, including other uses, increased net \$2,496,687 primarily due to:
  - Center for After School, Summer & Expanded Learning budget increased \$102,000 for Ecobot
  - Center for Safe & Safe Schools budget increased \$227,000 based on new contracts
  - Department Wide budget increased \$617,000 for payment to Texas Virtual Schools Network
  - Building Improvements budget increased by \$1,092,000 for Recovery High School
  - Retirement Leave Benefits budget increased \$275,000 for additional retirements
  - Special Assistant to Superintendent budget increased \$111,000 for new position and legal services

Pensions

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the plan. Since the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

*Changes of Assumptions* - New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

*Changes of Benefit Terms* - There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.



**COMBINING & INDIVIDUAL FUND  
STATEMENTS & SCHEDULES**

**Back of Combining & Individual Fund  
Statements & Schedules**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NONMAJOR GOVERNMENTAL FUNDS OVERVIEW**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

***SPECIAL REVENUE FUNDS***

Special Revenue Funds are used to account for specific revenue sources which are legally restricted to expenditures for specific purposes. Individual grants are listed in alphabetical order by program:

Adult Education Program – Accounts, on a project basis, for state and federal funds granted to provide or support programs for adult education and literacy services to adults who are beyond compulsory school age attendance and do not have a high school diploma, or lack sufficient mastery of basic educational skills to function effectively in society, or are unable to speak, read or write the English language; and are not enrolled in school. Separate accountability must be maintained for each section listed below:

- ABE Grant to States-Regular-State (Regular Grant-Federal)
- ABE Grant to States-Regular-State (Regular Grant-State)
- ABE Grant to States-Institutional-English Literacy & Civics Education-Federal (Eng Literacy and Civics Ed-Federal)
- In-Service Project- Federal
- Local Education Foundation of Harris County (EFHC)
- Site Based Workplace Literacy Project - Federal
- Temporary Assistance for Needy Families-Federal (TANF Grant)
- Youth Demonstration Project – Federal

Center for After School, Summer and Expanded Learning (CASE)

- 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> Century CLC) – Accounts, on a project basis, for federal funds granted to provide opportunities for communities to establish or expand activities in community learning centers that provide opportunities for academic enrichment and additional services to students and literary and related educational development for families of students. This is a shared services arrangement.
- Partnership – Funding to provide professional development opportunities, supplemental funding for comprehensive programs and project-based providers that offer activities that support language literacy and numeracy development, collaborative reading initiatives and educational material and equipment for use in out of school time programs.
- Local City of Houston

Digital Learning Program

- Local Digital Trust Foundation -to fund learning in science and technology.

Head Start Program – Accounts, on a project basis, for federal funds from the U. S. Department of Health and Human Services, in addition to other grant sources listed below, for which separate accountability is required:

- Head Start Training and Technical Assistance-Federal
- Early Head Start – Federal
- Early Head Start Training - Federal
- Hogg Foundation-Local - Accounts for funds used to provide training for Head Start staff to address children's mental health issues in the classroom and connect with parents on the same issue.
- In kind fund-Local - Accounts for funds contributed by local sources and in-kind supplies and volunteer time required as 20% matching towards the Head Start federal grant.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NONMAJOR GOVERNMENTAL FUNDS OVERVIEW**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

Technology

- Texas Virtual School Network – Accounts for a federally-funded contract with Education Service Center Region 10 to provide online courses for Texas students through the Texas Virtual School Network (TXVSN). Harris County Department of Education was awarded Central Operations of the TXVSN to establish communication efforts to facilitate the delivery of online courses and provide information to stakeholders.

Universities Space Research Association – Accounts for an administrative services sub agreement with Universities Space Research Association (USRA). The purpose of this project is to work with USRA across disciplines including biomedicine, planetary science, astrophysics, and engineering and integrate those competencies into applications ranging from fundamental research to facility management and operations.

- USRA LPI LUNAR (Research and Evaluation)

Education Certification & Professional Advancement - Accounts for an administrative services sub contract with Ohio State University. The purpose of this project is to mobilize educator talent through promoting Science, Technology, Engineering, and Mathematics (STEM) by providing high quality professional development for m-NET teachers and school leaders.

- m- NET Mobilizing National Educator Talent

***DEBT SERVICE FUND***

This fund classification is used to combine all debt service funds for reporting.



**This page left intentionally blank**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2017**

	Special Revenue Funds			
	<b>Federal Lunar Program Instit-R&amp;E</b>	<b>Federal Head Start Training</b>	<b>Federal Early Head Start</b>	<b>Federal TANF Grant</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	8,189	274,382	21,914
Other receivables	-	9	4	7
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 8,198</u>	<u>\$ 274,386</u>	<u>\$ 21,921</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	-	5,953	88,825	616
Accrued wages payable	-	-	1,767	4,243
Due to other governments	-	-	-	-
Due to other funds	-	2,245	183,794	17,062
Unearned Revenues	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>8,198</u>	<u>274,386</u>	<u>21,921</u>
<b>FUND BALANCES</b>				
Restricted	-	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 8,198</u>	<u>\$ 274,386</u>	<u>\$ 21,921</u>



Special Revenue Funds				
Federal Adult Ed Regular Grant	Federal Youth Demonstration Project	Federal YACP National Ed Talent	Federal Eng Literacy and Civics Ed	Federal Adult Ed SBWLP
\$ -	\$ 2,259	\$ -	\$ -	\$ -
398,047	-	39,471	20,570	21,258
147	-		5	-
<u>\$ 398,194</u>	<u>\$ 2,259</u>	<u>\$ 39,471</u>	<u>\$ 20,575</u>	<u>\$ 21,258</u>
52,933	-	29	738	1,854
80,991	2,259	-	2,345	1,328
-	-	-	-	-
264,270	-	39,442	17,492	18,076
-	-	-	-	-
<u>398,194</u>	<u>2,259</u>	<u>39,471</u>	<u>20,575</u>	<u>21,258</u>
-	-	-	-	-
-	-	-	-	-
<u>\$ 398,194</u>	<u>\$ 2,259</u>	<u>\$ 39,471</u>	<u>\$ 20,575</u>	<u>\$ 21,258</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2017**

	<b>Special Revenue Funds</b>			
	<b>Federal 21st Century CLC - Cycle 8</b>	<b>Federal 21st Century CLC - Cycle 9</b>	<b>State Adult Ed Regular</b>	<b>State Texas Virtual Schools Network</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governments	722,643	664,330	5,315	-
Other receivables	-	-	-	532,636
<b>Total Assets</b>	<b>\$ 722,643</b>	<b>\$ 664,330</b>	<b>\$ 5,315</b>	<b>\$ 532,636</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	494,385	374,425	2,033	272
Accrued wages payable	1	1	405	-
Due to other governments	-	1,090	-	-
Due to other funds	228,257	288,814	2,877	532,364
Unearned Revenues	-	-	-	-
<b>Total Liabilities</b>	<b>722,643</b>	<b>664,330</b>	<b>5,315</b>	<b>532,636</b>
<b>FUND BALANCES</b>				
Restricted	-	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 722,643</b>	<b>\$ 664,330</b>	<b>\$ 5,315</b>	<b>\$ 532,636</b>

Special Revenue Funds					
Local Houston Endowment	Local City of Houston	Local Head Start In-Kind Fund	Local Digital Trust Foundation	Local Hogg Found HM/ Hchild	Local Grants EFHC
\$ 54,036	\$ -	\$ 46,162	\$ -	\$ 1,994	\$ 21,057
-	22,607	-	-	-	-
-	-	-	-	-	-
<u>\$ 54,036</u>	<u>\$ 22,607</u>	<u>\$ 46,162</u>	<u>\$ -</u>	<u>\$ 1,994</u>	<u>\$ 21,057</u>
3,333	-	909	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	22,607	-	-	-	-
<u>50,703</u>	<u>-</u>	<u>45,253</u>	<u>-</u>	<u>1,994</u>	<u>21,057</u>
<u>54,036</u>	<u>22,607</u>	<u>46,162</u>	<u>-</u>	<u>1,994</u>	<u>\$ 21,057</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 54,036</u>	<u>\$ 22,607</u>	<u>\$ 46,162</u>	<u>\$ -</u>	<u>\$ 1,994</u>	<u>\$ 21,057</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2017**

	<b>Total Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds (See Exhibit B-1)</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 125,508	\$ -	\$ 125,508
Due from other governments	2,198,726	-	2,198,726
Other receivables	532,808	-	532,808
<b>Total Assets</b>	<b>\$ 2,857,042</b>	<b>\$ -</b>	<b>\$ 2,857,042</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	1,026,305	-	1,026,305
Accrued wages payable	93,340	-	93,340
Due to other governments	1,090	-	1,090
Due to other funds	1,617,300	-	1,617,300
Unearned Revenues	119,007	-	119,007
<b>Total Liabilities</b>	<b>2,857,042</b>	<b>-</b>	<b>2,857,042</b>
<b>FUND BALANCES</b>			
Restricted	-	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,857,042</b>	<b>\$ -</b>	<b>\$ 2,857,042</b>



**This page intentionally left blank**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<b>Special Revenue Funds</b>			
	<b>Federal Lunar Program Instit-R&amp;E</b>	<b>Federal Head Start Training</b>	<b>Federal Early Head Start</b>	<b>Federal TANF Grant</b>
<b>REVENUES</b>				
Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	-	-
Federal Programs	5,324	76,322	1,827,576	186,050
<b>Total Revenues</b>	<u>5,324</u>	<u>76,322</u>	<u>1,827,576</u>	<u>186,050</u>
<b>EXPENDITURES</b>				
Current:				
Adult Education Program	-	-	-	186,050
Center for After-School, Summer & Expanded Learning	-	-	-	-
Digital Education & Innovation	-	-	-	-
Education Certification & Professional Advancement	-	-	-	-
Head Start Program	-	76,322	1,827,576	-
Research & Evaluation	5,324	-	-	-
Special Schools & Services	-	-	-	-
Texas Virtual Schools Network	-	-	-	-
Debt Service:				
Principal on Long-Term Debt	-	-	-	-
Interest on Long-Term Debt	-	-	-	-
<b>Total Expenditures</b>	<u>5,324</u>	<u>76,322</u>	<u>1,827,576</u>	<u>186,050</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances-Beginning	-	-	-	-
Fund Balances-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds					
Federal Adult Ed Regular Grant	Federal Youth Demonstration Project	Federal YACP National Ed Talent	Federal Eng Literacy and Civics Ed	Federal Adult Ed SBWLP	Federal Adult Ed Inservice
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
2,619,432	83,117	57,500	234,879	193,610	5,365
2,619,432	83,117	57,500	234,879	193,610	5,365
2,619,432	83,117	-	234,879	193,610	5,365
-	-	-	-	-	-
-	-	-	-	-	-
-	-	57,500	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,619,432	83,117	57,500	234,879	193,610	5,365
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

continued

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<b>Special Revenue Funds</b>			
	<b>Federal 21st Century CLC - Cycle 8</b>	<b>Federal 21st Century CLC - Cycle 9</b>	<b>State Adult Ed Regular</b>	<b>State Texas Virtual Schools Network</b>
<b>REVENUES</b>				
Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	372,941	1,146,635
Federal Programs	2,058,440	1,619,871	-	-
<b>Total Revenues</b>	<b>2,058,440</b>	<b>1,619,871</b>	<b>372,941</b>	<b>1,146,635</b>
<b>EXPENDITURES</b>				
Current:				
Adult Education Program	-	-	372,941	-
Center for After-School, Summer & Expanded Learning	2,058,440	1,619,871	-	-
Digital Education & Innovation	-	-	-	-
Education Certification & Professional Advancement	-	-	-	-
Head Start Program	-	-	-	-
Research & Evaluation	-	-	-	-
Special Schools & Services	-	-	-	-
Texas Virtual Schools Network	-	-	-	1,146,635
Debt Service:				
Principal on Long-Term Debt	-	-	-	-
Interest on Long-Term Debt	-	-	-	-
<b>Total Expenditures</b>	<b>2,058,440</b>	<b>1,619,871</b>	<b>372,941</b>	<b>1,146,635</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances-Beginning	-	-	-	-
Fund Balances-Ending	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



Special Revenue Funds					
Local Houston Endowment	Local City of Houston	Local Head Start In-Kind Fund	Local Digital Trust Foundation	Local Hogg Found HM/Hchild	Local Grants EFHC
\$ 438,294	\$ 660,000	\$ 3,928,677	\$ 10,324	\$ 14,604	\$ 310
-	-	-	-	-	-
-	-	-	-	-	-
438,294	660,000	3,928,677	10,324	14,604	310
-	-	-	-	-	-
438,294	660,000	-	-	-	-
-	-	-	10,324	-	-
-	-	-	-	-	-
-	-	3,928,677	-	14,604	-
-	-	-	-	-	-
-	-	-	-	-	310
-	-	-	-	-	-
-	-	-	-	-	-
438,294	660,000	3,928,677	10,324	14,604	310
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Continued

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	<b>Total Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Governmental Funds (See Exhibit B-3)</b>
<b>REVENUES</b>			
Local and Intermediate Sources	\$ 5,052,209	\$ -	\$ 5,052,209
State Programs	1,519,576	-	1,519,576
Federal Programs	8,967,486	-	8,967,486
<b>Total Revenues</b>	<u>15,539,271</u>	<u>-</u>	<u>15,539,271</u>
<b>EXPENDITURES</b>			
Current:			
Adult Education Program	3,695,394	-	3,695,394
Center for After-School, Summer & Expanded Learning	4,776,605	-	4,776,605
Digital Education & Innovation	10,324	-	10,324
Education Certification & Professional Advancement	57,500	-	57,500
Head Start Program	5,847,179	-	5,847,179
Research & Evaluation	5,324	-	5,324
Special Schools & Services	310	-	310
Texas Virtual Schools Network	1,146,635	-	1,146,635
Debt Service:			
Principal on Long-Term Debt	-	2,781,429	2,781,429
Interest on Long-Term Debt	-	352,303	352,303
<b>Total Expenditures</b>	<u>15,539,271</u>	<u>3,133,732</u>	<u>18,673,003</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over (Under) Expenditures</b>	<u>-</u>	<u>(3,133,732)</u>	<u>(3,133,732)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	3,133,732	3,133,732
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,133,732</u>	<u>3,133,732</u>
Net Change in Fund Balances	-	-	-
Fund Balances-Beginning	-	-	-
Fund Balances-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **HARRIS COUNTY DEPARTMENT OF EDUCATION**

### **INTERNAL SERVICE FUNDS OVERVIEW**

Internal Service Funds are used to report activities that provide goods or services to other funds on a cost-reimbursement basis and to report risk financing activities related to the self-insured compensation program.

#### Workers' Compensation Fund

Accounts for risk financing activities related to the self-insured compensation program. All employees of the Department are covered by this plan for injuries occurring on the job. The Department contributes 100 percent of the funding for this program.

#### Facility Charges Fund

Accounts for the services offered by the centralized Facilities Division to all Department campuses and divisions. Department budgets contribute a prorated share to cover the costs for facility services.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**AUGUST 31, 2017**

	<b>Workers'</b>	<b>Facility</b>	<b>Total</b>
	<b>Compensation</b>	<b>Charges</b>	<b>Internal Service</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds (see</b>
			<b>Exhibit B-5)</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,414,623	\$ 201,533	\$ 1,616,156
Prepaid items	284,104	1	284,105
<b>Total Assets</b>	<u>1,698,727</u>	<u>201,534</u>	<u>1,900,261</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	-	190,521	190,521
Accrued wages payable	-	11,013	11,013
Claims payable - due within one year	267,488	-	267,488
<b>Total Liabilities</b>	<u>267,488</u>	<u>201,534</u>	<u>469,022</u>
<b>NET POSITION</b>			
Unrestricted	<u>1,431,239</u>	<u>-</u>	<u>1,431,239</u>
<b>Total Net Position</b>	<u><u>\$ 1,431,239</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,431,239</u></u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<b>Workers'</b>	<b>Facility</b>	<b>Total</b>
	<b>Compensation</b>	<b>Charges</b>	<b>Internal Service</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds (see</b>
			<b>Exhibit B-6)</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 257,135	\$ 4,762,985	\$ 5,020,120
<b>Total Operating Revenues</b>	<u>257,135</u>	<u>4,762,985</u>	<u>5,020,120</u>
<b>OPERATING EXPENSES</b>			
Payroll Costs	-	2,354,833	2,354,833
Professional Services	-	1,582,693	1,582,693
Supplies and Materials	-	360,600	360,600
Miscellaneous Operating Expenses	<u>242,386</u>	<u>464,859</u>	<u>707,245</u>
<b>Total Operating Expenses</b>	<u>242,386</u>	<u>4,762,985</u>	<u>5,005,371</u>
Change in Net Position	14,749	-	14,749
Total Net Position-Beginning	<u>1,416,490</u>	<u>-</u>	<u>1,416,490</u>
<b>Total Net Position-Ending</b>	<u><u>\$ 1,431,239</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,431,239</u></u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<b>Workers'</b>	<b>Facility</b>	<b>Total</b>
	<b>Compensation</b>	<b>Charges</b>	<b>Internal Service</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds (see</b>
			<b>Exhibit B-7)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 257,135	\$ 4,762,985	\$ 5,020,120
Payments to employees	-	(2,349,434)	(2,349,434)
Payments to suppliers	-	(2,397,351)	(2,397,351)
Payments for workers' compensation claims	(374,116)	-	(374,116)
<b>Net cash provided by (used in) operating activities</b>	<u>(116,981)</u>	<u>16,200</u>	<u>(100,781)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(116,981)	16,200	(100,781)
Cash and cash equivalents at beginning of year	<u>1,531,604</u>	<u>185,333</u>	<u>1,716,937</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 1,414,623</u></u>	<u><u>\$ 201,533</u></u>	<u><u>\$ 1,616,156</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>			
<b>PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	14,749	-	14,749
<b>CHANGES IN ASSETS AND LIABILITIES:</b>			
Decrease (increase) in prepaid items	(41,540)	1,225	(40,315)
Increase (decrease) in accounts payable	-	9,576	9,576
Increase (decrease) in accrued wages payable	-	5,399	5,399
Increase (decrease) in claims payable	(90,190)	-	(90,190)
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ (116,981)</u></u>	<u><u>\$ 16,200</u></u>	<u><u>\$ (100,781)</u></u>

## **HARRIS COUNTY DEPARTMENT OF EDUCATION FIDUCIARY FUNDS OVERVIEW**

### ***AGENCY FUNDS***

Agency Funds are used to account for resources held for the benefit of parties outside the Department. The Department is the trustee, or fiduciary, for money raised by student activities at the schools. The Department is responsible for ensuring that the assets in these funds are used for their intended purposes. All the Department's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities and a statement of changes in assets and liabilities-agency funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Department's programs.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**FOR FISCAL YEAR ENDED AUGUST 31, 2017**

	<u>Balance</u> <u>August 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>August 31, 2017</u> <u>(see Exhibit B-8)</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 38,908	\$ 1,855	\$ (1,130)	\$ 39,633
<b>Total Assets</b>	<u>\$ 38,908</u>	<u>\$ 1,855</u>	<u>\$ (1,130)</u>	<u>\$ 39,633</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,037	\$ 400	\$ (630)	\$ 6,807
Due to student groups	<u>31,871</u>	<u>1,455</u>	<u>(500)</u>	<u>32,826</u>
<b>Total Liabilities</b>	<u>\$ 38,908</u>	<u>\$ 1,855</u>	<u>\$ (1,130)</u>	<u>\$ 39,633</u>





OTHER SUPPLEMENTARY  
INFORMATION

## **Back of Other Supplementary Information**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Local revenues	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	-	-	-	-
<b>EXPENDITURES</b>				
Debt Service:				
Principal on Long-Term Debt	2,131,429	2,781,429	2,781,429	-
Interest on Long-Term Debt	259,856	352,303	352,303	-
<b>Total Expenditures</b>	2,391,285	3,133,732	3,133,732	-
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	(2,391,285)	(3,133,732)	(3,133,732)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,391,285	3,133,732	3,133,732	-
<b>Total Other Financing Sources (Uses)</b>	2,391,285	3,133,732	3,133,732	-
Net Change in Fund Balances	-	-	-	-
Fund Balances-Beginning	-	-	-	-
Fund Balances-Ending	\$ -	\$ -	\$ -	\$ -

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FISCAL YEAR ENDED AUGUST 31, 2017**

Year Ended August 31	Tax Rate		Assessed Value	Beginning Balance	Current Year Levy	Collections & Adjustments	Ending Balance
	Maintenance	Debt Service					
2008 & Prior	Various	-	Various	\$ 150,524	\$ -	\$ 8,493	\$ 142,031
2009	0.005840	-	281,242,543,399	42,873	-	4,066	38,807
2010	0.006050	-	283,907,489,994	46,906	-	5,705	41,201
2011	0.006581	-	271,838,192,122	50,474	-	8,443	42,031
2012	0.006581	-	275,667,298,681	54,623	-	10,516	44,107
2013	0.006617	-	289,669,533,021	59,545	-	12,281	47,264
2014	0.006358	-	315,575,070,777	73,421	-	22,720	50,701
2015	0.005999	-	348,957,092,849	111,153	-	37,271	73,882
2016	0.005422	-	388,054,684,618	303,399	-	185,013	118,386
2017	0.005200	-	416,884,796,154	-	21,678,009	21,412,200	265,809
<b>Totals</b>				<u>\$ 892,918</u>	<u>\$ 21,678,009</u>	<u>\$ 21,706,708</u>	<u>\$ 864,219</u>

\* Taxes shown based on 20 year statute of limitation for real property and 10 years for personal property.





**Back of Statistical Section**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATISTICAL SECTION**  
(Unaudited)

**Table of Contents**

	<u>Page</u>	<u>Exhibit</u>
Introduction to the Statistical Section.....	100	
<b>Financial Trends:</b>		
Net Position by Component .....	101	Table 1
Changes in Net Position .....	102	Table 2
Fund Balances of Governmental Funds .....	105	Table 3
Changes in Fund Balances-Governmental Funds.....	106	Table 4
Governmental Funds Revenues.....	107	Table 5
Governmental Funds Expenditures and Debt Service Ratio .....	108	Table 6
<b>Revenue Capacity:</b>		
Property Tax Levies and Collections .....	111	Table 7
Property Tax Rates-Direct and Overlapping Governments.....	112	Table 8
Assessed and Estimated Actual Value of Taxable Property .....	114	Table 9
Principal Taxpayers.....	115	Table 10
<b>Debt Capacity:</b>		
Ratio of Net General Bonded Debt Outstanding to Assessed Property Value, Percent of Personal Income and Debt per Capita.....	117	Table 11
Ratio of Annual Debt Service Expenditures by Type to Governmental Funds Expenditures .....	118	Table 12
Estimated County-wide Direct and Overlapping Bonded Debt .....	119	Table 13
<b>Demographic and Economic Information:</b>		
Demographic and Economic Statistics.....	121	Table 14
Miscellaneous Statistical Data.....	122	Table 15
Principal Employers .....	123	Table 16
<b>Operating Information:</b>		
Employees by Program .....	125	Table 17
Operational Indicators by Program .....	126	Table 18
Building Information.....	127	Table 19
Service Area and Locations-Description.....	128	Table 20
Service Area-Map: Harris County, Texas and 25 School Districts.....	129	Table 21

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**INTRODUCTION TO THE STATISTICAL SECTION**  
(Unaudited)

Statistical Tables are used to provide detailed data on the physical, economic, social, and political characteristics of a government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statements.

The information is provided in the following five categories:

**Financial Trends** – These schedules contain trend information to assist users in understanding and assessing how the Department’s financial position has changed over time.

**Revenue Capacity** – These schedules contain information to assist users in understanding and assessing the factors affecting the Department’s ability to generate its own-source revenues.

**Debt Capacity** – These schedules present information to assist users in understanding and assessing the Department’s current level of outstanding debt and the Department’s ability to issue additional debt.

**Demographic and Economic Information** – These schedules present information to assist users in understanding the environment within which the Department’s financial activity takes place.

**Operating Information** – These schedules provide contextual information about the Department’s operations and resources to assist readers in using financial statement information to understand and assess the Department’s economic condition.

Statistical Tables usually cover ten fiscal years, unless otherwise noted.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Where data is presented from outside the accounting records, the source will be noted.

These tables are unaudited due to the nature of the information contained therein.





**FINANCIAL TRENDS**

## **Back of Financial Trends**

Table 1

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
 (accrual basis of accounting)  
 (unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities:</b>										
Net investment in capital assets	\$ 32,428,990	\$ 34,145,710	\$ 32,677,342	\$ 29,291,742	\$ 28,309,727	\$ 26,859,324	\$ 25,004,772	\$ 20,685,106	\$ 18,576,176	\$ 23,806,220
Restricted	-	31,983	31,881	1,028,015	1,138,752	1,476,805	2,267,449	-	-	-
Unrestricted	26,188,720	20,804,496	17,622,666	24,172,444	22,243,309	18,647,502	15,957,786	19,736,547	20,442,751	12,804,315
<b>Total Governmental Activities</b>	<b>\$ 58,617,710</b>	<b>\$ 54,982,189</b>	<b>\$ 50,331,889</b>	<b>\$ 54,492,201</b>	<b>\$ 51,691,788</b>	<b>\$ 46,983,631</b>	<b>\$ 43,230,007</b>	<b>\$ 40,421,653</b>	<b>\$ 39,018,927</b>	<b>\$ 36,610,535</b>
<b>Business-Type Activities:</b>										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-
<b>Total Business-Type Activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total:</b>										
Net investment in capital assets	\$ 32,428,990	\$ 34,145,710	\$ 32,677,342	\$ 29,291,742	\$ 28,309,727	\$ 26,859,324	\$ 25,004,772	\$ 20,685,106	\$ 18,576,176	\$ 23,806,220
Restricted	-	31,983	31,881	1,028,015	1,138,752	1,476,805	2,267,449	-	-	-
Unrestricted	26,188,720	20,804,496	17,622,666	24,172,444	22,243,309	18,647,502	15,957,786	19,736,547	20,442,751	12,804,315
<b>Total Net Position</b>	<b>\$ 58,617,710</b>	<b>\$ 54,982,189</b>	<b>\$ 50,331,889</b>	<b>\$ 54,492,201</b>	<b>\$ 51,691,788</b>	<b>\$ 46,983,631</b>	<b>\$ 43,230,007</b>	<b>\$ 40,421,653</b>	<b>\$ 39,018,927</b>	<b>\$ 36,610,535</b>

Fiscal years before 2011 have not been restated fro GASB Statement No. 65.

Fiscal years before 2014 have not been restated for GASB Statement No. 68.

Fiscal year 2016 Choice Partners was accounted for as an enterprise fund.

Source: HCDE records

Table 2  
Page 1 of 3

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)  
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
Governmental Activities:										
Adult Education Program	\$ 3,873,917	\$ 4,050,032	\$ 3,895,904	\$ 4,187,795	\$ 4,651,034	\$ 4,509,212	\$ 4,557,894	\$ 5,144,526	\$ 4,379,611	\$ 4,087,138
Assistant Superintendents' Offices	539,630	537,885	517,072	465,054	457,916	448,143	454,962	453,806	431,737	401,040
Board of Trustees	138,256	131,506	205,134	194,415	157,546	108,958	139,736	120,431	115,862	149,736
Business Support Services	1,720,319	1,790,657	1,674,204	1,652,498	1,600,940	1,534,745	1,574,090	1,628,888	1,471,406	1,594,962
Center for After-School, Summer & Expanded Learning	7,289,977	7,315,643	8,468,498	6,932,436	8,165,637	8,771,440	7,987,851	8,844,959	10,940,949	11,730,606
Center for Safe and Secure Schools	655,108	491,085	623,098	758,633	418,556	366,018	623,773	565,790	441,688	983,950
Center for School Governance & Fiscal Accountability	-	-	70,430	129,537	177,036	180,569	182,788	184,637	205,617	171,385
Center for Texas Grant Development	555,688	544,990	519,875	503,314	548,899	556,711	583,140	545,536	491,606	439,993
Choice Partners Cooperatives	-	-	1,727,275	1,596,110	1,579,708	1,376,087	1,146,389	1,072,172	693,790	327,025
Client Engagement	374,313	451,521	456,323	410,006	403,880	403,621				
Communications	858,041	884,274	709,750	652,250	651,610	510,174	931,203	675,051	636,832	485,062
Department Wide	7,089,535	6,808,688	5,421,099	5,380,665	5,350,114	5,509,879	6,012,835	5,924,982	5,921,777	5,079,861
Digital Learning	1,391,612	368,131	1,450,677	1,668,330	1,997,071	2,654,232	2,273,670	1,446,346	882,688	729,416
Early Childhood Intervention	-	-	2,112,772	4,871,933	5,132,950	5,868,623	-	-	-	-
Education Certification & Professional Advancement	678,461	630,272	506,930	510,939	301,540	220,146	86,709	102,752	117,165	107,753
Education Foundation	9,559	199,417	200,398	200,535	199,404	201,501	150,799	165,117	108,671	158,574
Facility Support Services	1,112,896	772,981	981,239	767,703	1,282,812	146,827	1,543,377	1,060,337	1,320,413	858,543
Head Start Program	17,304,932	16,103,236	15,401,901	13,758,980	14,224,031	15,012,643	17,381,287	15,995,602	14,204,023	13,251,352
Human Resources	994,097	943,149	945,021	922,955	871,057	879,957	934,406	907,475	1,011,768	819,062
Interest and Fees on Long-Term Debt	602,708	310,720	480,219	799,380	787,589	902,724	952,271	1,041,009	979,040	1,021,193
PFC Capital Projects	-	-	-	-	26,845	-	-	-	-	539,857
Preschool Initiative	-	-	-	36,600	-	-	-	-	-	-
Principal Certification	-	-	-	-	-	-	96,667	68,664	41,984	8,128
Print Shop	-	-	-	-	-	-	-	-	-	108,778
Purchasing Support Services	494,804	477,229	402,651	427,478	394,331	356,325	793,005	865,714	788,422	768,068
Quality Zone Academy Bonds	-	6,281	-	-	311,727	42,866	121,333	383,114	358,126	-

## Continued

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Records Management Services	1,627,074	1,656,361	1,777,447	1,685,191	1,665,781	1,435,224	928,451	1,455,746	1,244,240	1,395,888
Research and Evaluation Institute	579,394	515,936	460,493	492,210	466,180	460,471	441,428	424,036	337,107	305,147
Retirement Leave Benefits	358,964	322,795	288,606	410,154	219,305	224,144	261,983	65,515	78,840	638,697
Scholastic Arts and Writing Program	101,618	102,702	88,126	72,185	71,667	60,614	78,247	76,865	63,129	64,660
School Based Therapy Services	9,790,720	9,375,763	8,686,191	7,932,355	7,702,266	7,327,653	15,837,809	16,359,289	15,691,561	14,465,939
Special Assistant to Superintendent	291,630	189,323	130,936	-	6,253	64,479	76,259	77,220	70,648	-
Special Schools & Services	11,091,019	10,865,891	11,270,451	11,018,200	10,086,230	10,245,287	10,619,419	10,390,655	9,845,635	9,240,355
Superintendent's Office	448,785	385,255	432,322	504,922	369,316	352,778	353,268	341,542	342,601	306,352
Technology Support Services	3,446,066	5,052,094	4,115,775	3,961,667	3,737,958	3,373,381	3,219,235	2,732,852	2,651,849	2,991,821
Texas LEARNS	-	-	-	421,089	6,853,142	1,854,304	1,960,269	1,889,908	1,718,764	1,718,594
The Teaching & Learning Center	1,240,775	1,068,452	1,185,444	1,221,872	961,954	1,008,144	979,491	959,287	977,374	904,363
Total Governmental Activities Expenses	\$ 74,659,898	\$ 72,352,269	\$ 75,206,261	\$ 74,547,391	\$ 81,832,285	\$ 76,967,880	\$ 83,284,044	\$ 81,969,823	\$ 78,564,923	\$ 75,853,298
Business-Type Activities:										
Choice Partners Cooperatives	1,783,195	1,879,446	-	-	-	-	-	-	-	-
Transfer out	2,588,083	2,547,458	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	\$ 4,371,278	\$ 4,426,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 79,031,176</b>	<b>\$ 76,779,173</b>	<b>\$ 75,206,261</b>	<b>\$ 74,547,391</b>	<b>\$ 81,832,285</b>	<b>\$ 76,967,880</b>	<b>\$ 83,284,044</b>	<b>\$ 81,969,823</b>	<b>\$ 78,564,923</b>	<b>\$ 75,853,298</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
<b>Charges for services:</b>										
Adult Education Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assistant Superintendents' Offices	-	-	-	-	-	-	-	1,250	-	-
Business Support Services	58,597	284,473	169,052	285,093	308,464	74,005	18,707	2,621	23,113	3,871
Center for After-School, Summer & Expanded Learning	9,506	11,800	29,015	27,142	16,884	24,114	87,896	38,422	67,974	55,001
Center for Safe and Secure Schools	502,661	117,350	120,735	436,410	141,767	195,085	487,011	266,967	134,505	730,273
Center for School Governance & Fiscal Accountability	-	-	-	29,805	-	11,800	33,152	39,900	27,400	37,279
Center for Texas Grant Development	840	2,275	2,495	2,800	32,537	98,171	86,672	51,772	63,499	41,482
Choice Facility Partners (1)	-	-	3,201,052	2,896,693	3,242,503	3,066,053	2,104,297	1,493,465	1,171,573	261,475
Client Engagement	-	-	1,400	-	2,800	-	-	-	-	-
Communications	-	-	-	-	-	4,187	19,900	5,410	28,067	1,193
Department Wide	20,215	12,963	13,824	13,003	11,284	33,682	173,005	39,165	231,928	200,129
Digital Learning	41,745	61,015	83,160	90,200	69,568	63,070	122,523	238,203	79,955	45,205
Early Childhood Intervention	-	-	108,208	324,614	324,614	327,536	-	-	-	-
Education Certification & Professional Advancement	206,289	252,270	255,109	196,902	115,317	148,409	145,511	82,984	97,231	-
Facility Support Services	-	-	-	-	-	-	-	-	-	3,163

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Head Start Program	-	-	-	-	-	-	70	-	-	-
Human Resources	-	-	-	1,795	2,800	-	800	800	150	-
Principal Certification	-	-	-	-	-	-	-	188,610	84,736	51,748
Print Shop	-	-	-	-	-	-	-	-	-	126
Purchasing Cooperatives (1)	-	-	-	-	-	-	1,537,632	1,519,170	1,317,873	1,086,309
Purchasing Support Services	-	5,559	3,563	-	-	61,677	-	-	-	-
Records Management Services	1,563,165	1,569,386	1,558,589	1,435,793	1,382,845	1,361,825	1,265,210	1,179,488	1,147,188	1,004,968
Research and Evaluation Institute	2,002	48,644	39,823	60,451	55,150	64,349	66,029	76,830	38,841	30,560
Scholastic Arts and Writing Program	-	40,449	26,155	19,135	15,130	18,645	1,000	19,714	17,710	19,875
School Based Therapy Services	8,552,308	8,633,429	8,151,129	7,706,746	7,477,282	6,798,685	7,315,492	7,607,796	6,541,265	6,635,806
Special Assistant to Superintendent	-	-	-	-	-	1,440	-	-	-	-
Special Schools & Services	8,433,065	7,439,987	7,849,458	8,373,138	7,903,760	7,704,848	7,709,338	7,737,711	8,366,921	8,430,217
Technology Support Services	17,440	61,296	227,846	418,406	255,096	367,630	302,817	38,635	70,205	35,776
The Teaching & Learning Center	734,437	773,405	945,650	888,464	851,549	677,535	675,463	390,679	423,010	461,516
<b>Total Charges for Services</b>	<b>20,142,270</b>	<b>19,314,301</b>	<b>22,786,263</b>	<b>23,206,590</b>	<b>22,209,350</b>	<b>21,102,746</b>	<b>22,152,525</b>	<b>21,019,592</b>	<b>19,933,144</b>	<b>19,135,972</b>
<b>Operating grants and contributions</b>	<b>23,509,189</b>	<b>23,307,323</b>	<b>25,840,048</b>	<b>24,888,778</b>	<b>35,391,753</b>	<b>32,096,407</b>	<b>34,200,575</b>	<b>35,020,819</b>	<b>34,880,826</b>	<b>34,933,247</b>
<b>General Revenues</b>										
Property taxes,										
levied for general purposes	21,723,798	21,059,842	21,041,087	20,184,898	19,353,694	18,248,412	17,848,708	17,519,315	16,610,331	15,021,841
Grants and contributions not										
restricted to specific program	4,804,746	5,560,503	5,077,413	4,679,915	4,909,527	4,882,113	5,157,119	4,636,981	4,930,825	4,649,659
Investment earnings	170,480	60,751	13,331	8,133	23,938	24,893	29,984	43,108	177,626	638,033
Miscellaneous income	5,356,853	5,152,391	4,462,989	4,379,490	4,652,180	5,040,598	6,703,537	5,132,734	4,440,563	3,734,440
Transfers	2,588,083	2,547,458	-	-	-	-	-	-	-	-
Insurance recovery	-	-	-	-	-	-	-	-	-	100,393
Sale of personal property	-	-	-	-	-	-	-	-	-	2,580
<b>Total Governmental Activities Revenues</b>	<b>78,295,419</b>	<b>77,002,569</b>	<b>79,221,131</b>	<b>77,347,804</b>	<b>86,540,442</b>	<b>81,395,169</b>	<b>86,092,448</b>	<b>83,372,549</b>	<b>80,973,315</b>	<b>78,216,165</b>
<b>Business-Type Activities:</b>										
<b>Charges for services:</b>										
Choice Partners Cooperative	4,371,278	4,426,904	-	-	-	-	-	-	-	-
<b>Total Revenues-Business Type Activities</b>	<b>4,371,278</b>	<b>4,426,904</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Revenues	<u>82,666,697</u>	<u>81,429,473</u>	<u>79,221,131</u>	<u>77,347,804</u>	<u>86,540,442</u>	<u>81,395,169</u>	<u>86,092,448</u>	<u>83,372,549</u>	<u>80,973,315</u>	<u>78,216,165</u>
<b>Change in Net Position</b>										
<b>Total Primary Government</b>	<u>\$ 3,635,521</u>	<u>\$ 4,650,300</u>	<u>\$ 4,014,870</u>	<u>\$ 2,800,413</u>	<u>\$ 4,708,157</u>	<u>\$ 4,427,289</u>	<u>\$ 2,808,404</u>	<u>\$ 1,402,726</u>	<u>\$ 2,408,392</u>	<u>\$ 2,362,867</u>

(1) Combined Purchasing Cooperatives with Choice Partners in FY12. In FY 2016 Choice Partners was accounted for as an enterprise fund.

Source: HCDE records

Table 3

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Fund:</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$12,691,734	\$7,018,717	\$7,018,717
Unreserved	-	-	-	-	-	-	-	9,038,193	8,791,111	8,791,111
Nonspendable	163,555	159,613	163,462	148,912	146,919	111,719	119,634	-	-	-
Restricted	-	-	6,281	6,281	117,019	428,228	1,218,921	-	-	-
Committed	1,575,000	6,200,000	6,721,446	3,150,000	1,408,000	1,408,000	1,408,000	-	-	-
Assigned	9,363,629	7,538,285	5,185,416	8,394,445	9,394,231	7,450,241	5,810,352	-	-	-
Unassigned	17,020,303	17,022,340	15,826,627	14,901,561	13,748,845	12,425,483	10,668,827	-	-	-
<b>Total General Fund</b>	<b>\$ 28,122,487</b>	<b>\$ 30,920,238</b>	<b>\$ 27,903,232</b>	<b>\$ 26,601,199</b>	<b>\$ 24,815,014</b>	<b>\$ 21,823,671</b>	<b>\$ 19,225,734</b>	<b>\$ 21,729,927</b>	<b>\$ 15,809,828</b>	<b>\$ 15,809,828</b>
<b>All Other Governmental Funds:</b>										
Reserved, reported in:										
PFC Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,048,571	\$1,514,369	\$5,415,717
Restricted, reported in:										
PFC Capital Projects Fund	10,874,006	31,983	31,881	1,021,734	1,021,733	1,048,577	1,048,578	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 10,874,006</b>	<b>\$ 31,983</b>	<b>\$ 31,881</b>	<b>\$ 1,021,734</b>	<b>\$ 1,021,733</b>	<b>\$ 1,048,577</b>	<b>\$ 1,048,578</b>	<b>\$ 1,048,571</b>	<b>\$ 1,514,369</b>	<b>\$ 5,415,717</b>

Note: For the fiscal year 2010 and prior the amounts represent Pre-GASB 54

Source: HCDE records.

Table 4

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(unaudited)

	2017	2016	2015*	2014 *	2013	2012	2011	2010	2009 *	2008
Total revenues	\$ 75,335,740	\$ 73,253,550	\$ 79,276,809	\$ 77,424,337	\$ 86,561,843	\$ 81,495,314	\$ 86,287,924	\$ 83,105,963	\$ 80,935,017	\$ 77,698,421
Total expenditures	76,879,551	72,783,901	78,145,010	75,858,286	83,597,445	78,904,603	88,792,110	84,895,196	86,031,096	76,529,396
<b>Excess (deficiency) of revenues over(under) expenditures:</b>	<u>(1,543,811)</u>	<u>469,649</u>	<u>1,131,799</u>	<u>1,566,051</u>	<u>2,964,398</u>	<u>2,590,711</u>	<u>(2,504,186)</u>	<u>(1,789,233)</u>	<u>(5,096,079)</u>	<u>1,169,025</u>
<b>Other Financing Sources (Uses)</b>										
QZAB Bond sale proceeds	-	-	-	-	-	-	-	-	6,320,000	-
Lease Revenue Bond Refunding	-	-	4,255,000	9,685,000	-	-	-	-	-	-
Payment on Bond Refunding Escrow Agent	-	-	(5,074,619)	(9,465,000)	-	-	-	-	-	-
Donated property	-	-	-	-	-	-	-	-	-	-
Insurance claims refund	-	-	-	-	-	-	-	-	-	-
Insurance recovery	-	-	-	-	-	-	-	-	-	100,393
Maintenance tax note proceeds	-	-	-	-	-	-	-	-	2,000,000	-
Premium on QZAB Bond Sales	-	-	-	-	-	-	-	-	117,326	-
Bond Sale	7,000,000	-	-	-	-	-	-	-	-	-
Bond Sale Fees	-	-	-	-	-	-	-	-	-	-
Sale of equipment	-	-	-	135	100	7,226	-	-	940	2,580
Transfers in	11,267,601	5,799,651	4,752,664	4,401,099	3,684,601	3,799,980	4,186,302	3,833,822	3,429,842	3,029,639
Transfers out	(8,679,518)	(3,252,192)	(4,752,664)	(4,401,099)	(3,684,601)	(3,799,980)	(4,186,302)	(3,833,822)	(3,429,842)	(3,029,639)
<b>Total other financing sources(uses):</b>	<u>9,588,083</u>	<u>2,547,459</u>	<u>(819,619)</u>	<u>220,135</u>	<u>100</u>	<u>7,226</u>	<u>-</u>	<u>-</u>	<u>8,438,266</u>	<u>102,973</u>
<b>Net change in fund balances:</b>	<u>\$ 8,044,272</u>	<u>\$ 3,017,108</u>	<u>\$ 312,180</u>	<u>\$ 1,786,186</u>	<u>\$ 2,964,498</u>	<u>\$ 2,597,937</u>	<u>\$ (2,504,186)</u>	<u>\$ (1,789,233)</u>	<u>\$ 3,342,187</u>	<u>\$ 1,271,998</u>

Source: HCDE records.



Table 5

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**GOVERNMENTAL FUNDS REVENUES**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Local Sources:</b>										
Charges for services	\$ 20,043,478	\$ 19,213,400	\$ 22,543,051	\$ 22,774,848	\$ 21,794,986	\$ 20,585,941	\$ 21,866,639	\$20,865,525	\$19,306,730	\$18,475,783
Property taxes, levied for general purposes	21,751,923	21,141,146	21,107,977	20,261,566	19,375,195	18,355,784	18,044,185	17,252,729	16,565,959	15,067,570
Local grants	5,355,621	5,086,589	5,049,186	4,653,717	4,417,941	4,966,634	6,693,136	5,124,750	4,416,313	3,204,374
Miscellaneous income	270,504	164,439	267,098	466,073	672,441	608,435	326,270	205,159	834,363	1,367,788
<b>Total Local Sources</b>	<u>47,421,526</u>	<u>45,605,574</u>	<u>48,967,312</u>	<u>48,156,204</u>	<u>46,260,563</u>	<u>44,516,794</u>	<u>46,930,230</u>	<u>43,448,163</u>	<u>41,123,365</u>	<u>38,115,515</u>
<b>State Sources:</b>										
State aid grants	2,260,853	2,810,044	3,182,302	4,710,852	5,713,001	6,841,825	7,253,451	5,034,164	4,144,134	5,046,756
On-behalf payments	2,290,135	2,215,370	2,099,190	2,009,295	1,732,483	1,807,238	1,957,430	2,704,456	2,796,661	1,467,004
<b>Total State Sources</b>	<u>4,550,988</u>	<u>5,025,414</u>	<u>5,281,492</u>	<u>6,720,147</u>	<u>7,445,484</u>	<u>8,649,063</u>	<u>9,210,881</u>	<u>7,738,620</u>	<u>6,940,795</u>	<u>6,513,760</u>
<b>Federal Sources:</b>	<u>23,363,226</u>	<u>22,622,562</u>	<u>25,028,005</u>	<u>22,547,986</u>	<u>32,855,796</u>	<u>28,329,457</u>	<u>30,146,813</u>	<u>31,919,180</u>	<u>32,870,856</u>	<u>33,069,146</u>
<b>Total Revenues</b>	<u>\$ 75,335,740</u>	<u>\$ 73,253,550</u>	<u>\$ 79,276,809</u>	<u>\$ 77,424,337</u>	<u>\$ 86,561,843</u>	<u>\$ 81,495,314</u>	<u>\$ 86,287,924</u>	<u>\$83,105,963</u>	<u>\$80,935,016</u>	<u>\$77,698,421</u>

Note: General governmental revenues include those received by the following: General, Special Revenue, Debt Service, and Capital Projects Funds.

Table 6

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(unaudited)

	2017	2016	2015	2014	2013
Adult Education Program	\$ 3,897,009	\$ 4,068,869	\$ 3,932,144	\$ 4,150,520	\$ 4,619,062
Assistant Superintendents' Offices	534,595	533,135	514,795	465,329	458,711
Board of Trustees	138,343	131,482	205,738	194,851	158,756
Business Support Services	1,711,576	1,783,858	1,660,485	1,654,106	1,605,591
Center for After School, Summer & Expanded Learning	7,320,521	7,344,632	8,491,605	6,932,759	8,171,013
Center for Safe & Secure Schools	647,093	473,676	625,609	747,801	409,064
Center for School Gov & Fiscal Accountability	-	-	70,604	129,596	177,207
Center for Texas Grants Development	550,918	540,539	513,827	504,065	551,069
Choice Partners Cooperatives (1) (2)	-	-	1,731,034	1,592,628	1,579,519
Communications & Client Engagement	1,215,481	1,324,033	1,152,090	1,063,174	1,057,789
Department Wide	6,862,145	5,867,987	5,540,253	5,489,076	5,509,651
Digital Learning	1,345,415	1,662,289	1,375,220	1,607,457	2,057,974
Early Childhood Intervention	-	-	2,116,246	4,871,057	5,130,418
Education Certification & Professional Advancement	673,466	625,469	507,114	511,485	301,613
Education Foundation	9,812	199,603	201,041	200,754	200,035
Facility Support Services	730,324	449,188	1,288,233	451,170	552,735
Head Start Program	17,455,113	16,439,375	16,396,415	13,604,585	14,495,379
Human Resources	986,813	935,877	935,662	924,157	874,293
PFC Capital Projects	-	-	-	-	26,845
Preschool Initiative	-	-	-	36,600	-
Principal Certification	-	-	-	-	-
Printing & Visual Communication	-	-	-	-	-
Purchasing Support Services (1)	487,590	472,964	397,278	427,646	394,816
Quality Zone Academy Bonds (QZAB)	-	6,281	-	110,972	311,727
Records Management Services	1,557,380	1,519,616	1,652,481	1,527,654	1,516,613
Research & Evaluation Institute	575,247	512,665	456,317	492,641	467,427
Retirement Leave Benefits	358,964	322,795	288,606	410,154	219,305
Scholastic Arts & Writing Program	101,187	102,115	87,516	72,286	71,961
School Based Therapy Services	9,701,864	9,292,131	8,558,847	7,931,371	7,703,718
Special Assistant to Superintendent	289,057	187,574	131,149	-	6,265
Special Schools & Services	11,657,915	10,452,501	10,791,044	10,623,818	9,977,362
Superintendent's Office	445,967	382,543	429,179	505,248	370,259
Technology Support Services	3,028,436	3,686,311	4,302,817	4,192,273	4,145,077
Texas LEARNS	-	-	-	421,492	6,857,589
The Teaching & Learning Center	1,229,426	1,058,193	1,181,660	1,223,398	965,705
Debt Service:					
Principal Payments	2,781,429	2,106,429	2,131,429	1,916,429	1,811,428
Interest & Fees	352,303	301,771	307,049	651,734	841,469
Bond Issuance Costs & Fees	234,162	-	171,523	220,000	-
<b>Total Expenditures:</b>	<b>\$ 76,879,551</b>	<b>\$ 72,783,901</b>	<b>\$ 78,145,010</b>	<b>\$ 75,858,286</b>	<b>\$ 83,597,445</b>
<b>Debt service as a percentage of non-capital expenditures:</b>	4.17%	3.37%	3.23%	3.46%	3.24%

NOTE: Governmental expenditures include those made by the following funds: General, Special Revenue, Debt Services and Public Facility Corporation (PFC) Capital Projects funds.

(1) Cooperative Programs moved to Choice Facility Cooperatives in FY 2012.

(2) In FY 2016 Choice Partners Cooperatives are accounted as an enterprise fund.

Source: HCDE records.

	2012	2011	2010	2009	2008
\$	4,492,308	\$ 4,517,066	\$5,153,392	\$4,374,508	\$4,142,481
	446,650	454,940	454,813	431,828	401,040
	108,958	139,736	120,431	115,862	149,736
	1,525,180	1,573,952	1,635,352	1,475,413	1,175,562
	8,771,440	7,987,851	8,844,959	10,940,949	11,730,606
	413,600	623,732	566,612	441,860	983,950
	180,248	182,784	184,855	205,637	171,385
	552,633	583,081	547,611	491,793	439,993
	1,367,157	1,171,149	1,072,172	693,790	327,025
	909,441	931,143	676,953	637,003	485,062
	5,247,400	6,082,956	6,184,048	5,455,388	5,079,861
	2,546,687	2,500,221	1,446,941	848,263	894,462
	5,864,367	8,164,664	8,375,054	8,668,864	7,632,177
	220,146	86,709	102,752	117,165	107,753
	200,322	150,782	165,344	108,743	158,574
	412,563	1,875,564	422,598	1,181,923	621,159
	14,934,870	17,294,830	15,963,246	14,023,964	13,404,828
	871,536	934,284	913,737	1,012,280	819,062
	-	-	465,929	3,848,481	1,315,317
	-	-	-	-	-
	-	96,667	68,664	41,984	8,128
	-	-	-	-	93,150
	355,414	792,975	869,923	788,801	768,068
	853,810	3,101,860	796,984	3,186,380	-
	1,603,485	1,402,283	1,525,365	1,247,855	1,261,366
	458,128	441,394	425,438	337,233	305,147
	224,144	261,983	65,515	183,530	165,246
	60,062	78,239	77,238	63,163	64,660
	7,318,381	7,663,305	7,979,677	7,014,364	6,912,225
	64,479	76,259	77,220	70,648	-
	9,838,623	10,309,938	10,357,717	9,636,477	9,096,849
	351,005	353,242	342,740	342,709	306,352
	3,208,799	3,365,993	3,505,672	3,077,579	2,916,472
	1,849,495	1,960,188	1,889,908	1,719,085	1,718,594
	998,820	978,342	963,862	976,850	909,507
	1,761,429	1,711,428	1,646,428	1,150,000	950,000
	893,023	942,570	1,006,046	969,339	1,013,599
	-	-	-	151,385	-
\$	<u>78,904,603</u>	<u>\$ 88,792,110</u>	<u>\$ 84,895,196</u>	<u>\$ 86,031,096</u>	<u>\$ 76,529,396</u>
	3.44%	3.19%	3.20%	2.73%	2.66%



**This page intentionally left blank**



**REVENUE CAPACITY**

**Back of Revenue Capacity**

Table 7

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN YEARS**  
(unaudited)

<b>Fiscal Year Ended August 31</b>	<b>Net Tax Levy for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percent of Net Tax Levy</b>		<b>Amount</b>	<b>Percent of Total Tax Collections to Net Tax Levy</b>
2017	\$ 21,678,010	\$ 21,412,201	98.77%	\$ -	21,412,201	98.77%
2016	21,040,325	20,736,926	98.56%	185,013	20,921,939	99.44%
2015	20,933,936	20,660,459	98.69%	199,595	20,860,054	99.65%
2014	20,064,263	19,805,270	98.71%	208,292	20,013,562	99.75%
2013	19,167,433	18,882,728	98.51%	237,441	19,120,169	99.75%
2012	18,141,665	17,894,045	98.64%	203,513	18,097,558	99.76%
2011	17,889,672	17,625,587	98.52%	222,054	17,847,641	99.77%
2010	17,176,403	16,782,324	97.71%	352,878	17,135,202	99.76%
2009	16,424,565	16,029,681	97.60%	356,077	16,385,758	99.76%
2008	15,021,841	14,862,017	98.94%	17,793	14,879,810	99.05%

Source: Harris County, Texas Appraisal District provides HCDE with appraised values for properties within HCDE's taxing authority.

Table 8

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**  
 (rates per \$100 of taxable assessed value)  
 (unaudited)

Taxing Authority	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Department Direct Rate:</b>										
HCDE(a)	\$0.005200	\$0.005422	\$0.005999	\$0.006358	\$0.00661	\$0.00658	\$0.00658	\$0.00605	\$0.00584	\$0.00585
<b>Overlapping Rates Jurisdictions:</b>										
Harris County (HC)	0.4166	0.4192	0.4173	0.4146	0.4002	0.3911	0.3880	0.3922	0.3892	0.3924
HC Flood Control District	0.0283	0.0273	0.0273	0.0283	0.0280	0.0280	0.0292	0.0292	0.0309	0.0311
Port of Houston Authority	0.0133	0.0134	0.0153	0.0171	0.1952	0.0185	0.0205	0.0163	0.0177	0.0144
HC Hospital District	0.1718	0.1700	0.1700	0.1700	0.1821	0.1921	0.1921	0.1922	0.1922	0.1922
<b>Cities:</b>										
Baytown	0.8220	0.8220	0.8220	0.8220	0.8220	0.8220	0.7870	0.7870	0.7870	0.7370
Bellaire	0.3874	0.3805	0.3936	0.3999	0.3999	0.3999	0.3999	0.3759	0.3775	0.4400
Deer Park	0.7200	0.7144	0.7200	0.7200	0.7200	0.7200	0.7050	0.7050	0.7050	0.7200
Houston	0.5864	0.6011	0.6310	0.6387	0.6387	0.6387	0.6387	0.6387	0.6438	0.6450
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.5700	0.5735	0.5970	0.5970	0.5970	0.6100	0.6160	0.6300	0.6300	0.6088
Missouri City	0.5601	0.5447	0.5650	0.5738	0.5448	0.5284	0.5284	0.5284	0.5172	0.4993
Pasadena	0.5754	0.5754	0.5769	0.5915	0.5915	0.5915	0.5915	0.5620	0.5620	0.5670
Pearland	0.6812	0.7053	0.7121	0.7051	0.7051	0.6851	0.6651	0.6526	0.6526	0.6526
Seabrook	0.5652	0.6126	0.6400	0.6651	0.6652	0.6499	0.6268	0.6134	0.5884	0.6203
South Houston	0.6322	0.6995	0.6445	0.6699	0.7082	0.6875	0.6731	0.6784	0.6784	0.6770
Webster	0.2845	0.2345	0.2487	0.2696	0.2852	0.2852	0.2575	0.2325	0.2060	0.2489
West University Place	0.3168	0.3318	0.3617	0.3741	0.3741	0.3741	0.3741	0.3587	0.3590	0.3660

(a) HCDE has only Maintenance and Operating rate.

\* Formerly North Harris Montgomery Community College

Source: Harris County (Texas) Appraisal District



Table 8

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**  
 (rates per \$100 of taxable assessed value)  
 (unaudited)

**School Districts and Junior Colleges:**

Aldine	1.3234	1.2859	1.2858	1.3058	1.3283	1.3283	1.3005	1.3005	1.2920	1.2770	1.6040
Alief	1.3050	1.2800	1.2800	1.2900	1.3200	1.3300	1.3400	1.3400	1.3400	1.5900	1.5900
Clear Creek	1.4000	1.4000	1.4000	1.4000	1.3600	1.3600	1.3600	1.3600	1.3600	1.3200	1.6300
Cypress-Fairbanks	1.4400	1.4400	1.4400	1.4500	1.4500	1.4300	1.4300	1.4100	1.3240	1.6450	1.8000
Deer Park	1.5567	1.5567	1.5567	1.5567	1.5267	1.3967	1.3967	1.3667	1.3367	1.3177	1.6623
Galena Park	1.5633	1.5134	1.5134	1.5134	1.5134	1.5134	1.5134	1.4784	1.4550	1.4309	1.7100
Goose Creek	1.4319	1.4319	1.4319	1.3868	1.3321	1.3321	1.3021	1.2821	1.2821	1.3020	1.5956
Houston	1.2067	1.1967	1.1967	1.1867	1.1567	1.1567	1.1567	1.1567	1.1567	1.1570	1.6200
Humble	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.3100	1.7700
Katy	1.5166	1.5166	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.8150
Klein	1.4300	1.4100	1.3900	1.4300	1.4400	1.4300	1.4100	1.3600	1.3100	1.2600	1.5800
LaPorte	1.4200	1.4500	1.4500	1.3300	1.3300	1.3550	1.3250	1.3250	1.3250	1.3200	1.6350
North Forest	N/A	N/A	N/A	N/A	1.4432	1.4692	1.3700	1.3500	1.3143	1.2367	1.7125
Lone Star College *	0.1078	0.1079	0.1081	0.1160	0.1198	0.1210	0.1176	0.1101	0.1101	0.1144	0.1167
Pasadena	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.6900
Pearland	1.4156	1.4156	1.4157	1.4157	1.4194	1.4194	1.4194	1.4194	1.4194	1.4272	1.6622
San Jacinto Jr. College	0.1824	0.1758	0.1856	0.1856	0.1856	0.1856	0.1708	0.1708	0.1634	0.1454	0.1454
Sheldon	1.4100	1.4100	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.6340
Spring	1.4700	1.4700	1.5100	1.5700	1.5700	1.5700	1.4600	1.4600	1.4400	1.4400	1.7100
Spring Branch	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3825	1.2850	1.8100
Tomball	1.3400	1.3400	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.2750	1.5800

\* Formerly North Harris Montgomery Community College

Source: Harris County (Texas) Appraisal District

Table 9

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
(expressed in thousands)  
(unaudited)

<b>Fiscal Year Ended Aug 31</b>	<b>Real Property Value</b>		<b>Personal Property Value</b>		<b>Less: Exemptions</b>	<b>Adjusted Assessed Value</b>	<b>HCDE Tax Rates</b>
	<b>Residential</b>	<b>Commercial</b>	<b>Residential</b>	<b>Commercial</b>			
2017	\$ 209,213,537	\$187,383,708	\$ 84,565,308	41,903,961	\$ 110,181,699	\$ 412,884,815	0.005200
2016	194,080,210	184,129,876	73,005,880	45,005,320	108,166,600	\$ 388,054,686	0.005422
2015	163,634,124	183,843,138	51,916,325	50,762,171	101,198,666	\$ 348,957,093	0.005999
2014	144,388,401	169,041,407	47,493,252	49,442,454	94,790,443	\$ 315,575,071	0.006358
2013	136,475,054	93,503,889	45,197,018	43,387,355	28,893,782	\$ 289,669,533	0.006617
2012	134,543,172	137,773,436	45,731,769	45,253,937	87,635,015	\$ 275,667,299	0.006581
2011	133,937,637	\$134,651,780	45,240,612	43256841.01	85,248,677	\$ 271,838,192	0.006581
2010	136,222,881	142,409,796	44,712,038	44,188,400	83,625,625	\$ 283,907,490	0.006050
2009	135,381,296	141,056,206	43,944,106	42,476,680	81,615,745	\$ 281,242,544	0.005840
2008	125,788,632	125,255,194	41,071,849	36,065,571	73,644,862	\$ 254,536,385	0.005853

Source: Harris County (Texas) Appraisal District

Table 10

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PRINCIPAL TAXPAYERS**  
**CURRENT YEAR AND TEN YEARS AGO**  
(amounts in thousands)  
(unaudited)

Taxpayers	2017			2007		
	2016 Taxable Value <sup>(a)</sup>	Rank	Percentage of Total 2016 Taxable Value <sup>(b)</sup>	2006 Taxable Value <sup>(a)</sup>	Rank	Percentage of Total 2007 Taxable Value <sup>(c)</sup>
Centerpoint Energy, Inc.	\$ 3,344,794	1	0.80%	\$ 2,526,174	3	1.22%
Exxon Mobil Corporation	3,308,917	2	0.79%	3,845,810	1	1.86%
Chevron Chemical Company	2,940,717	3	0.70%	1,296,919	6	0.63%
Shell Oil Company	1,634,578	4	0.39%	2,830,089	2	1.37%
Equistar Chemicals LP <sup>(d)</sup>	1,413,362	5	0.34%	1,309,415	5	0.63%
Palmetto Transoceanic LLC	1,296,880	6	0.31%	-	-	-
National Oilwell	1,060,010	7	0.25%	-	-	-
Crescent HC and 4HC Investors	873,922	8	0.21%	1,374,136	4	0.67%
Hewlett Packard	870,073	9	0.21%	1,062,118	9	0.51%
Walmart	869,096	10	0.21%	-	-	-
Houston Refining (d)	-	-	-	1,174,204	7	0.57%
Hines Interests Ltd Partnership	-	-	-	1,066,965	8	0.52%
Southwestern Bell	-	-	-	1,022,044	10	0.50%
<b>Total:</b>	<u>\$17,612,349</u>		<u>4.21%</u>	<u>\$ 17,507,874</u>		<u>8.48%</u>

Source: Harris County (Texas) Appraisal District

- (a) Amounts for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on total taxable value as of August 2016.
- (c) Based on total taxable value as of August 2006.
- (d) Lyondell Chemical filed for Chapter 11 bankruptcy on January 6, 2009. It is not certain whether all taxes owed by Lyondell Chemical and its related entities Houston Refining and Equistar Chemical LP will be paid.



**This page intentionally left blank**



**DEBT CAPACITY**

**Back of Debt Capacity**

Table 11

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**RATIO OF NET GENERAL BONDED DEBT OUTSTANDING TO ASSESSED**  
**PROPERTY VALUE, PERCENT OF PERSONAL INCOME AND DEBT PER CAPITA**  
**LAST TEN FISCAL YEARS**  
**(unaudited)**

<b>Fiscal Year Ended Aug. 31</b>	<b>Gross Bonded Debt (1)</b>	<b>Less Restricted For Debt Service (2)</b>	<b>Net Bonded Debt</b>	<b>Taxable/Assessed Property Values <sup>(b)</sup> (amounts in thousands) (3)</b>	<b>Ratio of Net Bonded Debt to Assessed Values</b>	<b>Personal Income <sup>(c)</sup> (amounts in thousands) (4)</b>	<b>Percent of Personal Income</b>	<b>Population(5)</b>	<b>Debt per Capita</b>
2017	\$ 19,053,624	\$ -	\$ 19,053,624	\$ 412,884,815	0.0046%	n/a	n/a	4,589,928	\$4.15
2016	14,844,750	-	14,844,750	388,054,685	0.0038%	240,752,454	n/a	4,538,028	\$3.27
2015	16,959,914	-	16,959,914	348,957,093	0.0049%	252,694,912	0.0067%	4,441,370	\$3.82
2014	19,828,750	-	19,828,750	315,479,113	0.0063%	230,462,963	0.0086%	4,336,853	\$4.57
2013	20,954,287	-	20,954,287	289,669,533	0.0072%	224,617,980	0.0093%	4,253,700	\$4.93
2012	22,765,715	-	22,765,715	275,667,298	0.0083%	204,593,445	0.0111%	4,180,894	\$5.45
2011	24,527,144	-	24,527,144	271,838,196	0.0090%	183,924,000	0.0133%	4,092,459	\$5.99
2010	26,238,572	-	26,238,572	283,907,489	0.0092%	196,779,227	0.0133%	4,070,989	\$6.45
2009	27,885,000	-	27,885,000	281,242,543	0.0099%	190,226,395	0.0147%	3,984,349	\$7.00
2008	20,715,000	-	20,715,000	254,536,385	0.0081%	178,161,000	0.0116%	3,835,855	\$5.40

## Notes:

(1) Includes lease revenue bonds, QZAB bonds, and Maintenance Tax Notes

(2) HCDE does not have a debt service rate

(3) Source-Taxable Assessed Property Values: Harris County (Texas) Appraisal District

(4) Source-Personal Income: Bureau of Economic Analysis. This ratio is calculated using the value for the prior calendar year

(5) Source-Population: Bureau of the Census. This ratio is calculated using the value for the prior calendar year.

n/a - indicates the numbers are not yet available

Table 12

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES BY TYPE**  
**TO GOVERNMENTAL FUNDS EXPENDITURES**  
**LAST TEN FISCAL YEARS**  
(unaudited)

<b>Year Ended August 31</b>	<b>Principal and Interest</b>			<b>Governmental Funds Expenditures</b>	<b>Ratio of Bonded Debt Expenditures to Governmental Funds Expenditures</b>
	<b>Bonds &amp; Notes Payable Expenditures</b>	<b>Capital Acquisition Program</b>	<b>Total Debt Expenditures</b>		
2017	\$ 3,133,732	\$ -	\$ 3,133,732	\$ 76,879,551	4.08%
2016	2,408,200	-	2,408,200	72,783,901	3.31%
2015	2,438,478	-	2,438,478	78,145,010	3.12%
2014	2,568,163	-	2,568,163	75,858,286	3.39%
2013	2,652,897	-	2,652,897	83,597,445	3.17%
2012	2,654,452	-	2,654,452	78,904,603	3.36%
2011	2,653,998	-	2,653,998	88,792,110	2.99%
2010	2,652,474	-	2,652,474	84,895,196	3.12%
2009	2,119,339	-	2,119,339	86,031,097	2.46%
2008	1,963,599	-	1,963,599	76,529,396	2.57%

Source: HCDE records.



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**ESTIMATED COUNTY-WIDE DIRECT AND OVERLAPPING BONDED DEBT**  
**AUGUST 31, 2017**  
(unaudited)

	<b>Percentage Applicable to Name of Government</b>	<b>Net Debt (Thousands)</b>
<b><u>OVERLAPPING</u></b>		
<b>County-Wide Jurisdictions:</b>		
Harris County (2/28/17) (a)	100.00%	\$ 1,840,494
Harris County Flood Control District (2/28/17)	100.00%	532,513
Port of Houston Authority (2/28/17)	100.00%	657,994
<b>Total County-Wide Direct Debt</b>		<b>\$ 3,031,001</b>
<b>Cities:</b>		
Houston (6/30/16)	99.30%	\$ 3,221,822
Other cities (a)	Various	536,223
<b>Sub-Total Cities</b>		<b>3,758,045</b>
<b>School Districts and Junior Colleges: (b)</b>	Various	<b>16,322,590</b>
Utility Districts (c)	100.00%	5,081,352
<b>Total Overlapping Debt:</b>		<b>\$ 25,161,987</b>
<b>Total Direct HCDE (e)</b>		<b>\$ 19,053,624</b>
<b>Total Direct and Overlapping Debt</b>		
<b>(Estimated \$9,100 Per Capita) (e)</b>		<b>\$ 44,215,611</b>

- (a) Aggregate net debt of 15 cities, each of which had a net debt of less than \$10,000,000.  
(b) Aggregate of 3 school, each of which had a net debt of less than \$25,000,000.  
(c) Estimated aggregate net debt of several hundred utility districts. Source: Municipal Advisory Council (MAC).  
(d) Census Bureau population estimated 4,589,928. Source: Bureau of the Census.  
(e) Net debt for HCDE includes the following:

Lease Revenue Bonds (Net)	\$ 15,855,000
QZAB	2,708,571
Maintenance Notes	460,000
Issuance Premiums	30,053
<b>Total Direct HCDE Debt</b>	<b>\$ 19,053,624</b>

Source: Harris County, Texas. The table reflects bonds outstanding as of various dates. Certain entities may have issued substantial amounts of bonds since the latest available data and may have capital improvements programs requiring the issuance of a substantial amount of additional bonds. The Harris County Department of Education has the same geographical boundaries as the Harris County.



**This page intentionally left blank**



## DEMOGRAPHIC AND ECONOMIC INFORMATION

## **Back of Demographic and Economic Information**

Table 14

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
**(unaudited)**

<b>Calendar Year</b>	<b>Population <sup>(a)</sup></b>	<b>Unemployment Rate <sup>(a)</sup></b>	<b>Personal Income <sup>(a)</sup></b>	<b>Median Household Income <sup>(a)</sup></b>
2017	4,589,928	4.10%	n/a	n/a
2016	4,538,028	4.80%	240,752,454,000	56,415
2015	4,441,370	4.60%	252,694,912,000	53,822
2014	4,336,853	5.00%	230,462,963,000	53,137
2013	4,253,700	6.00%	224,617,980,000	52,805
2012	4,180,894	6.60%	204,593,445,000	48,963
2011	4,092,459	7.80%	183,899,347,000	44,936
2010	4,070,989	7.60%	196,779,227,000	48,337
2009	3,984,349	4.3%	190,226,395,000	47,788
2008	3,935,855	4.2%	178,161,000,000	45,961

n/a – indicates the numbers are not yet available.

Sources: <sup>(a)</sup> The County Information Program, Texas Association of Counties  
Population and unemployment rate is previous year information

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**MISCELLANEOUS STATISTICAL DATA**  
**AUGUST 31, 2017**  
**(unaudited)**

The Department was created by the Texas State Legislature, and is located in Houston in Harris County, Texas.

Year created	1889
Location of administrative offices	6300 Irvington Blvd. Houston, Texas 77022
County seat	Houston
Largest city in Texas	Houston
Fifth largest city in the United States <sup>(a)</sup>	Houston
Number of school districts in primary service area	25
2016 estimate Population of Harris County, Texas <sup>(b)</sup>	4,589,928
Area of Harris County, Texas <sup>(b)</sup>	1,703 square miles
2017 Employment by Major Industry: <sup>(a)</sup>	Jobs
Trade, Transportation, and Utilities	607,600
Professional and Business Services	485,900
Government	420,300
Educational and Health Services	398,700
Manufacturing	229,300
Leisure and Hospitality	319,800
Construction	213,300
Energy	87,300
Other Services	108,700
Finance and Insurance - Banking	101,600
Real Estate and Rental and Leasing	58,000
Information	31,100
2010-2016 Median household income: <sup>(b)</sup>	
State of Texas	\$54,727
Harris County	\$56,415
2016 Unemployment rate: <sup>(c)</sup>	
State of Texas	4.1%
Harris County	4.8%
2010-2016 Median value of homestead property: <sup>(b)</sup>	
State of Texas	\$142,700
Harris County	\$145,600

Sources: (a) Greater Houston Partnership, [www.houston.org](http://www.houston.org)  
(b) U. S. Bureau of the Census  
(c) Texas Association of Counties

Table 16

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND TEN YEARS AGO**  
(unaudited)

Employer	2017			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Wal-Mart Stores Inc.	33,500	1	1.1010%	-		0.9550%
Memorial Hermann Healthcare	26,062	2	0.8565%	19,000	1	0.7010%
HEB	24,437	3	0.8031%	-		0.5549%
Houston Methodist	21,195	4	0.6966%	9,991	7	-
UT MD Anderson Cancer Center	20,778	5	0.6829%	-		0.5438%
Kroger Co	16,643	6	0.5470%	12,000	4	0.7057%
McDonald's Corp.	16,545	7	0.5438%	-		0.5585%
United Airlines	14,200	8	0.4667%	16,000	2	0.8720%
Exxon Mobil Corp	14,000	9	0.4601%	-		0.7543%
Texas Children's Hospital	12,545	10	0.4123%	-		0.4858%
Aramark	-		-	10,000	6	-
Shell Oil Company	-		-	13,000	3	-
Baylor College of Medicine	-		-	9,143	8	-
HP	-		-	9,000	9	0.8062%
BP America	-		-	8,000	10	0.5549%
Totals:	<u>199,905</u>		<u>5.4690%</u>	<u>106,134</u>		<u>7.4921%</u>

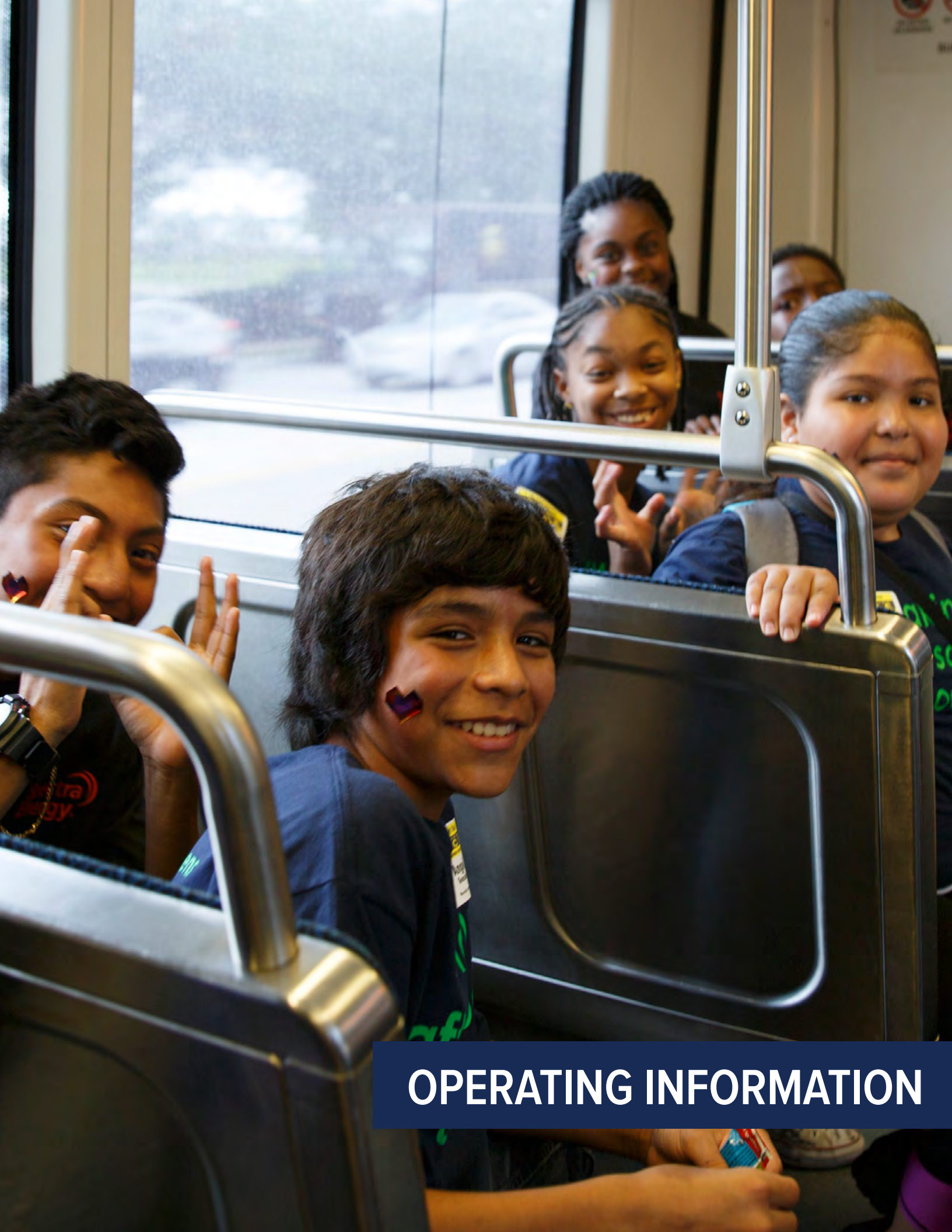
Notes: Employment numbers were obtained from the Greater Houston Partnership.

These numbers exclude employment numbers for Houston ISD and the City of Houston



**This page intentionally left blank**





**OPERATING INFORMATION**

## **Back of Operating Information**

Table 17

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**EMPLOYEES BY PROGRAM**  
**LAST TEN FISCAL YEARS**  
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Adult Education	75.3	75.3	78.7	104.2	77.0	78.0	87.3	389.0	316.0	299.0
Assistant Superintendents' Offices	5.0	4.0	3.5	3.5	3.5	3.5	5.5	5.0	5.0	4.0
Alternative Certification	5.5	5.5	4.0	4.0	2.5	1.7	0.2	-	-	-
Business Support Services	16.5	16.5	15.5	15.5	15.5	15.5	16.0	16.0	16.0	16.0
Board of Trustees	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Center for After School, Summer and Expanded Learning	22.2	22.2	13.0	13.0	14.0	14.0	16.0	19.0	18.0	16.0
Center for Safe & Secure Schools	3.0	3.0	3.5	3.5	1.0	3.0	3.0	3.0	2.0	3.0
Center for School Governance & Fiscal Accountability	-	-	0.5	0.5	0.5	0.5	-	1.0	1.0	1.0
Choice Partners Coopertive	15.4	15.4	15.0	16.0	17.0	9.0	10.0	5.0	5.0	2.0
Client Engagement	4.6	4.6	4.0	4.0	3.0	3.0	2.0	-	-	-
Communications	9.0	9.0	6.0	6.0	6.0	5.0	6.0	7.0	7.0	7.0
Digital Learning & Instructional Technology	-	-	1.0	1.0	2.0	2.0	2.0	2.0	2.0	5.0
Facility Support Services	51.5	51.5	51.5	51.5	52.0	53.5	57.0	56.0	53.0	55.0
Head Start Program	285.0	285.0	258.5	235.3	242.0	251.0	261.0	252.0	245.0	238.0
Human Resources	10.0	10.0	9.5	10.0	11.0	11.0	10.0	10.0	11.0	10.0
Printing & Visual Communications	-	-	-	-	-	-	-	-	-	2.0
Purchasing Support	6.0	6.0	6.0	6.0	6.0	11.0	11.0	11.0	9.0	10.0
Records Management Services	13.0	13.0	12.0	12.0	13.0	14.0	15.0	15.0	14.0	11.0
Research & Evaluation	7.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	4.0
Resource Development	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0	8.0	6.0
School Based Therapy Services	138.3	138.3	206.0	196.4	211.0	221.0	265.0	271.0	278.0	264.0
Special Schools Program	158.3	155.0	157.0	145.0	142.0	142.0	156.0	157.0	157.0	143.0
Superintendent's Office	1.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Digital Learning and Innovation	1.7	-	3.0	3.0	3.0	-	-	-	-	-
Technology Support Services	21.0	22.0	24.0	25.0	27.0	24.0	21.5	21.0	29.0	18.0
Texas LEARNS	-	-	-	-	15.0	14.0	15.0	15.0	14.0	14.0
Texas Virtual School Network	15.0	15.0	18.0	17.0	17.0	19.0	17.0	7.0	7.5	-
The Teaching and Learning Center	11.8	12.5	9.8	9.8	9.0	9.0	8.0	8.0	7.0	10.0
<b>Total:</b>	<b>883.1</b>	<b>879.7</b>	<b>904.7</b>	<b>886.9</b>	<b>896.5</b>	<b>911.2</b>	<b>992.0</b>	<b>1,277.5</b>	<b>1,205.0</b>	<b>1,130.5</b>

Note: Count includes both full-time equivalent and hourly employees (where the position is their primary job at HCDE).

Source: HCDE records.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**OPERATIONAL INDICATORS BY PROGRAM**  
**LAST FIVE FISCAL YEARS**  
(unaudited)

Programs	Services Provided
<b>GOVERNMENTAL ACTIVITIES:</b>	
Adult Education	Administers grants
Assistant Superintendents' Offices	Support/administrative
Board of Trustees	Governance
Business Support Services	Support
Center for After-School, Summer and Expanded Learning (CASE)	Administer grants for after-school programs at school districts and charter schools
Center for Safe & Secure Schools	Campus security review and training
Center for School Governance & Fiscal Accountability	Fiscal and program review services
Communications	Support/public information
Department Wide	Support
Digital Learning & Instructional Technology	Provide online courses to teachers
Education Certification & Professional Advancement	Training for teacher and principal candidates
Facility Support Services	Support
Head Start Program	Administer grant programs
Human Resources	Support
Purchasing Support	Internal purchasing
Records Management Services	Records retention cooperative
Research & Evaluation	Research support services
Resource Development	Grant writing support services
Retirement Leave Benefits	Retirement benefits program
Scholastic Arts & Writing Program	Administer regional program for Texas students
Special Assistant to Superintendent	Support/public information
Special Schools Program	Contract instruction for special-population students
Superintendent's Office	Support/administrative
Teaching & Learning Center	Professional development training
Technology Support Services	Support
Texas Virtual School Network	Provide online courses to students
Therapy Services	Therapy services and grant programs
<b>COMPONENT UNIT:</b>	
Education Foundation of Harris County	Fund-raising and grants

Source: HCDE records.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**BUILDING INFORMATION**  
(unaudited)

Site #	Building/ Purpose	Location/ City	Year Built	Put Into Service	Square Footage
<b>(1) Administration:</b>					
1.	Ronald W. Reagan Building	North Houston, TX	1988	1988	72,000
2.	North Post Oak Building	North Houston, TX	1995	2006	340,000
3.	Conference Center and Parking Garage	North Houston, TX	2002	2002	15,000
4.	Caplin Warehouse	Northeast Houston, TX	1999	1999	17,000
5.	Melbourne Warehouse	North Houston, TX	2005	2005	2,400
6.	Science Building	North Houston, TX	2010	2010	2,430
<b>(2) Schools:</b>					
6.	Academic & Behavior Center (ABC)-East	Southeast Houston, TX	1980	1982	47,000
7.	ABC-West	Southwest Houston, TX	1980	1998	22,500
8.	High Point-East Campus	Northeast Houston, TX	1970	1995	45,000
9.	High Point-North Campus	Northwest Houston, TX	1997	1997	24,500
<b>(3) Adult Education Program:</b>					
10.	Irvington Adult Education	North Houston, TX	1972	1972	16,000
11.	Lindale Adult Education	North Houston, TX	2002	2002	13,600
<b>(4) Head Start Program:</b>					
12.	Barrett Station Center	Crosby, TX	2002	2002	2,660
13.	La Porte Center	La Porte, TX	1999	1999	5,760
14.	Pugh Center	Houston, Texas	2000	2000	2,600
15.	Humble Center	Humble, Texas	2015	2015	1,728
16.	Humble Center	Humble, Texas	2001	2001	2,294
<b>(5) Other Services:</b>					
17.	Printing and Visual Communications	North Houston, TX	2001	2001	15,000
18.	Crosstimbers Records Storage Facility	North Houston, TX	1980	1996	18,000

**Notes:**

- (1) The administration buildings and the conference center (top floor of the parking garage) have workshop and conference facilities where meetings are held and professional development training is provided.
- (2) The Department contracts with local independent school districts to provide direct instruction at four schools-2 for adjudicated youth (grades 7-12) and 2 for special needs students (through age 21).
- (3) The Department administers an Adult Education program across Harris County, providing instruction to limited English proficient and GED students at numerous classrooms located at community and school district facilities.
- (4) The Department operates the Area I Head Start program in northeast Harris County. The administration offices are located at the Ronald W. Reagan building and there are 15 centers. The Department partners with school districts and community partners in the other 9 centers. The Pugh Center and Humbe Center are portable buildings.
- (5) The Department owns these buildings that are currently for sale. The print shop was disbanded in 2008 and the records retention service was relocated to the North Post Oak building.

Source: HCDE records.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**SERVICE AREA AND LOCATIONS-DESCRIPTION**  
(unaudited)

This is an overview of the direct services to students of all ages provided by HCDE in response to the needs of the schools and the students in the primary service area of Harris County, Texas.

**HARRIS COUNTY, TEXAS AND 25 SCHOOL DISTRICTS**

The HCDE primary service area covers school districts and charter schools across 1,700 square miles.

**HCDE SPECIAL SCHOOL LOCATIONS**

HCDE operates three alternative education programs at 4 sites, including:

- Academic and Behavior Centers (ABCs) provide educational programs for students ages 5-21 with emotional disturbances, mental retardation, and pervasive developmental disturbances from customer school districts;
- Highpoint Schools provide long-term educational services for expelled and/or adjudicated students from customer school districts; and

Campus	Year Opened	Area Served
ABC-East	FY 1982	Southeast Harris County
ABC-West	FY 1998	Southwest Harris County
Highpoint-East	FY 1995	Northeast Harris County
Highpoint-North	FY 2006	Northern Harris County

**HCDE ADULT EDUCATION LOCATIONS**

HCDE serves sites across Harris County, Texas:

School District	Number of Campuses	School District	Number of Campuses
Alief	4	Houston	11
Channelview	1	Katy	4
Cleveland	1	Klein	2
Cypress-Fairbanks	2	Liberty	2
Dayton	2	Pasadena	11
Deer Park	1	Sheldon	1
Galena Park	1	Spring Branch	4
Goose Creek	3	Spring	1

**HCDE HEAD START LOCATIONS**

HCDE administers the Area I Head Start program at fifteen (15) neighborhood centers across the north, east, and southeast portion of Harris County, Texas.

**HCDE CASE SCHOOLS LOCATIONS**

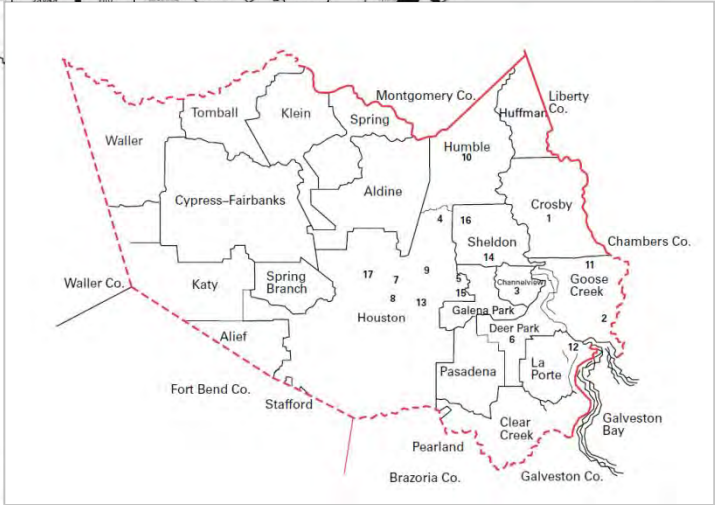
The Center for After School, Summer and Expanded Learning (CASE) Division is fiscal agent for numerous after school programs in client independent school districts and charter schools. Additional location information is available in Notes to the Basic Financial Statements, Note 9- Shared Service Arrangements.

**TEXAS VIRTUAL SCHOOL NETWORK**

Education Service Center (ESC) Region 10, in collaboration with the Harris County Department of Education, has been awarded Central Operations of the TXVSN. Central Operations will establish communication efforts to facilitate the delivery of online courses and provide information to stakeholders. The contact with Region 10 will end December 31, 2017 and this program will no longer be provided by HCDE.

Source: HCDE records.







**END OF REPORT**





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.



6300 Irvington Boulevard | Houston, Texas 77022 | [www.hcde-texas.org](http://www.hcde-texas.org)

