

# 2018 2019



Harris County  
Department of  
Education

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended August 31, 2019

**Back of Front Cover**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF**  
**HARRIS COUNTY DEPARTMENT OF EDUCATION**

**For the Fiscal Year Ended August 31, 2019**

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

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

Stephanie Wright, CPA  
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, 2019*

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**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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January 8, 2020

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, 2019 (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, 2019. 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..

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

6300 Irvington Boulevard ★ Houston, Texas 77022 ★ Tel: 713.694.6300 ★ [www.hcde-texas.org](http://www.hcde-texas.org)

Harris County Board of School Trustees,  
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and Other Interested Parties

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.

### **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 314 and 343 students during fiscal year 2018 and 2019, respectively. This represents a 9% increase due to higher demand from school districts. The Department projects to serve 345 students for FY 2020.
- Highpoint Schools serve adjudicated youth by providing intensive counseling and a technology-driven curriculum in a strict disciplinary environment. The Department serviced 415 and 461 students during fiscal year 2018 and 2019, respectively. This represents an 11% increase due to higher demand from school districts. The Department projects to serve 470 students for FY 2020.
- 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 7,426 and 7,739 students during fiscal year 2018 and 2019, respectively. This represents a 4% increase due to higher service contracts. The Department projects to serve 8,000 students for FY 2020.
- 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 1,545 and 1,604 students during fiscal year 2018 and 2019, respectively. This represents a 3.8% increase. The Department projects to serve 1,650 students for FY 2020.

Harris County Board of School Trustees,  
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and Other Interested Parties

- 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 9,121 and 10,295 students during fiscal year 2018 and 2019, respectively. This represents a 12.8% increase due to higher service demand. The Department projects to serve 10,500 students for FY 2020.
- 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 14,627 and 12,351 students during fiscal year 2018 and 2019, respectively. This represents a 13% decrease due to a reduction in the demand for services. The Department projects to serve over 13,000 students for FY 2020.
- The Teaching & Learning Center provides teaching and learning services to educators, administrators, support personnel, students, parents and the community. The Department delivered services to 9,200 and 8,874 educators during fiscal years 2018 and 2019, respectively. The Department projects to service over 9,500 educators in FY 2020.
- 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 2018 and 2019, the Department serviced 1,293 and 1,598 members, respectively. The Department expects to serve 1,650 members in FY 2020.
- 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 3,930 and 2,003 members in 2018 and 2019, respectively. The reduction corresponds to some school districts that decided to use the Department services by central location instead of by school location; some examples are Sheldon ISD, Goose Creek ISD and Clear Creek ISD. For FY 2019 the Department expects to serve 2,500 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 50,397 students in 2018 and 50,341 students in 2019 in facilities which safety audits were performed. For FY 2020 the Department expects to audit facilities in which over 60,000 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 4.7 million people. Harris County is the third largest county in the nation and houses the fourth largest city in the county.

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.

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

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 41 percent in general fund revenues from customer fees and charges and 44 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. There were no new bonds issued in fiscal year 2019.

### **Major Initiatives**

Major programs and construction projects for the coming fiscal year include the completion changes to the AB East School roof replacement for \$1,365,760; the AB East School bus line and detention pong for \$436,374; The 626 Lindale Adult Education Building roof and HVAC replacement for \$679,360; The Adult Education building on Irvington ACM repair for \$1,002,375; The Fortis Academy Science Laboratory for \$138,000; The Westview LED replacement for \$175,000; Technology replacement for \$593,867 and Head Start transfer to cover new center for \$500,000.

The Department continues construction for the replacement of Academic & Behavior West School. The Capital Project Fund is estimated at \$12,500,000 to be completed in FY19-20.

### **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, 2018. This is the seventeenth 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.

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

The Department received its fifteenth 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, 2018. 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.

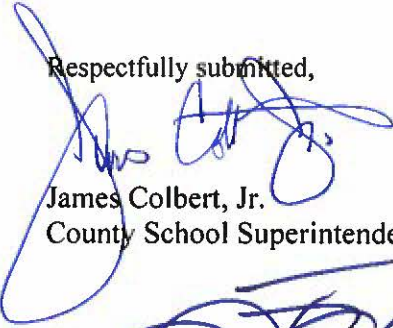
In addition, Harris County Department of Education also received the GFOA *Award for Outstanding Achievement in Popular Annual Financial Reporting* for its Popular Annual Financial Report for the fiscal year ended August 31, 2018, (PAFR), for the twelfth consecutive year. The *Award for Outstanding Achievement 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.

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.

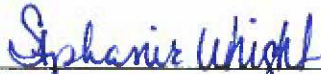
Respectfully submitted,



James Colbert, Jr.  
County School Superintendent



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



Stephanie Wright, CPA  
Chief Accounting Officer



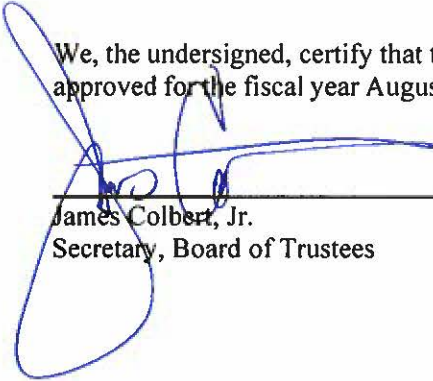
**CERTIFICATE OF BOARD**

**Harris County Department of Education**

**Harris County**  
County


**101-000**  
Co. District #

We, the undersigned, certify that the attached auditors' reports of the above-named government were reviewed and approved for the fiscal year August 31, 2019, at a meeting of the Board of Trustees on the 15th day of January 2020.



---

James Colbert, Jr.  
Secretary, Board of Trustees



---

Eric Diek  
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, 2018.

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, 2018**

*Christopher P. Morill*

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, 2018.

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.



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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, 2018.

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSRM  
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis  
Executive Director

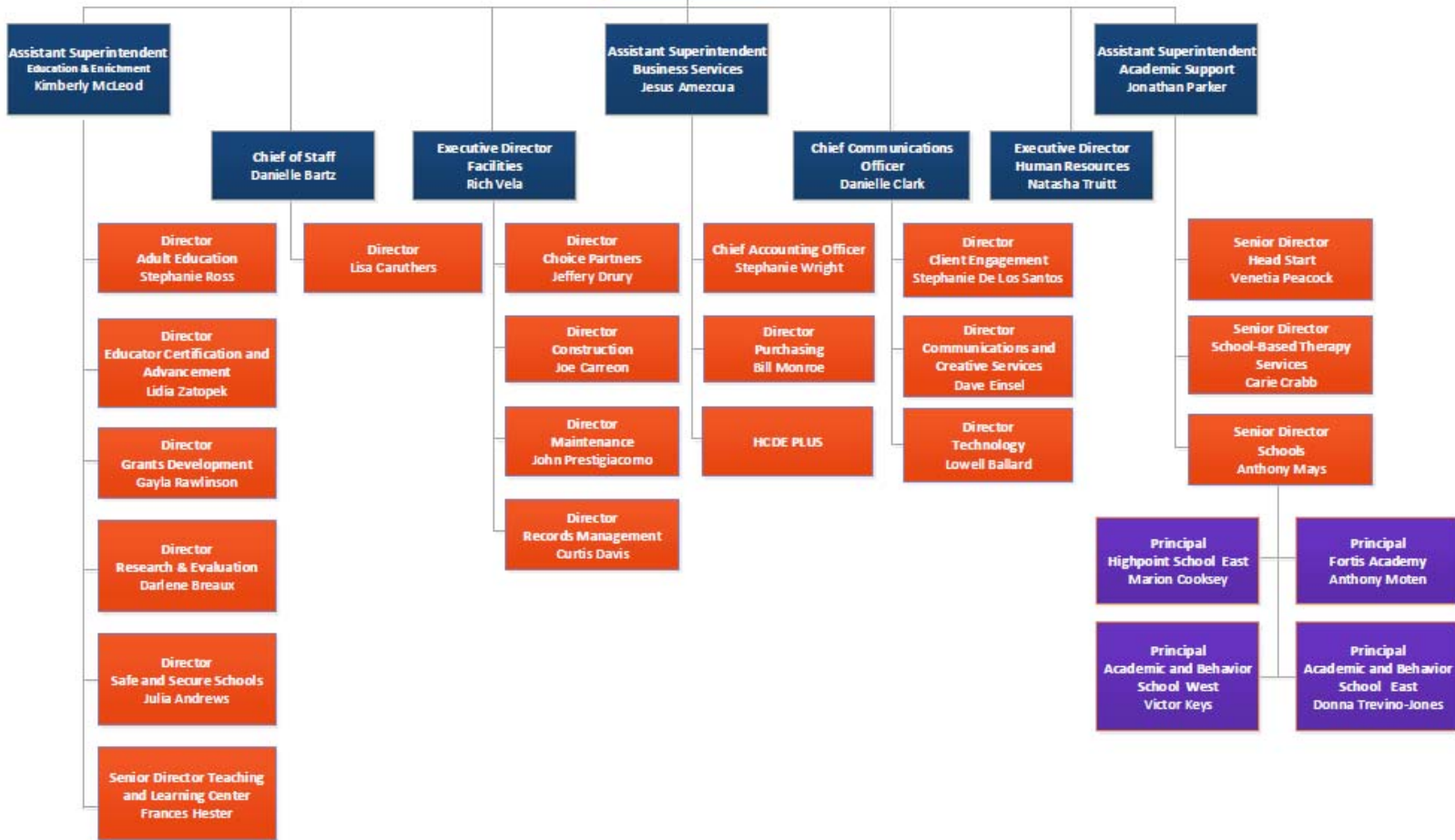
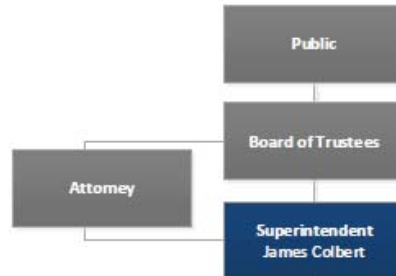
**HARRIS COUNTY DEPARTMENT OF EDUCATION  
PRINCIPAL OFFICIALS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

**County Board of School Trustees**

<b>NAME</b>	<b>TITLE</b>	<b>LENGTH OF SERVICE</b>	<b>TERM EXPIRES</b>
Josh Flynn	President	2019	12/31/2024
Dr. George Moore	Vice President	2017	12/31/2022
James Colbert, Jr.	Secretary	2014	Appointed
Richard Cantu	Member	2019	12/31/2024
Eric Dick	Member	2017	12/31/2022
Danyahel Norris	Member	2019	12/31/2024
Don Sumners	Member	2015	12/31/2020
Michael Wolfe	Member	2015	12/31/2020

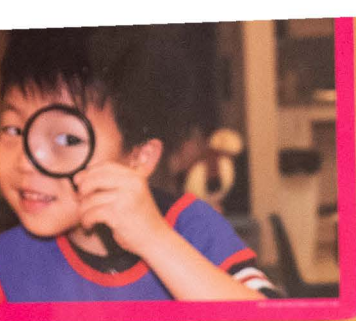
**Executive Leadership Team**

<b>NAME</b>	<b>POSITION</b>
James Colbert, Jr.	County School Superintendent
Jesus Amezcua, RTSBA, CPA, Ph.D.	Assistant Superintendent - Business Services
Richard Vela	Executive Director – Facilities Support Services
Kimberly McLeod, Ed.D.	Assistant Superintendent - Education and Enrichment
Jonathan Parker	Assistant Superintendent - Academic Support Services
Danielle Clark	Chief Communications Officer
Natasha Truitt, MBA	Executive Director - Human Resources
Lisa Caruthers	Director – Case for Kids
Danielle Bartz	Chief of Staff



13





Gus the Goo!



Hannah & Harvey

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Eric J  
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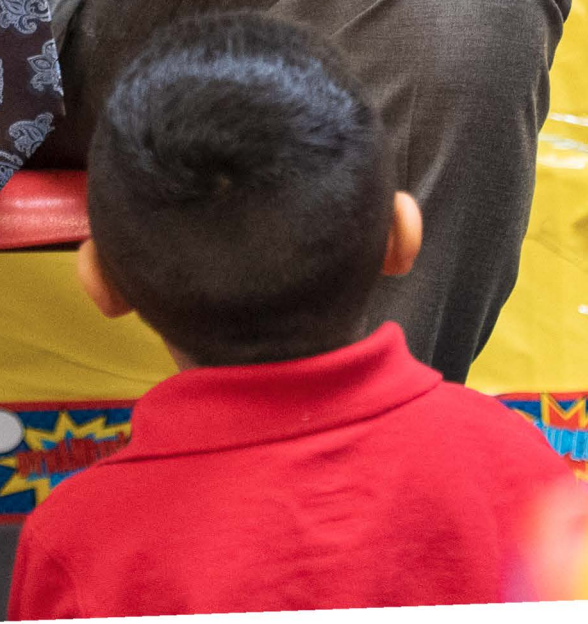
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**Back of Financial Section Divider**



## INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees  
Harris County Department of Education  
6300 Irvington Boulevard  
Houston, Texas 77022

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, 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, 2019, 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.

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, each major fund and the aggregate remaining fund information of the Department as of August 31, 2019, 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 27, analysis, budgetary comparison information on pages 83 through 84, pension information on pages 85 through 87 and the other-post employment benefit information on pages 88 through 90 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 statements and schedules and other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

To The Board of Trustees  
Harris County Department of Education

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2020, 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
January 8, 2020

## **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, 2019. 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 \$30,171,447.
- The Department's net position increased by \$6,681,114. The primary cause of this increase is due to an increase in revenues in both the business-type and governmental activities and managing expenses.
- As of August 31, 2019, the Department's governmental funds reported combined ending fund balances of \$43,214,487, an increase of \$2,582,935. The increase in governmental fund balances was primarily due to an increase of in the General fund. This increase was due to the transfer in from the Choice Partner fund of \$5.8 million. Divisions were also conservative in their expenditures in FY 2019.
- At the end of the fiscal year, the unassigned fund balance in the General Fund was \$20,930,182 or 44 percent of the General Fund's total expenditures for this fiscal year.
- The Department's total bonded debt decreased by \$2,896,120 (18 percent) during the fiscal year due to principal payments.

#### **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 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, and other miscellaneous projects. The business-type activity reports the Choice Partners purchasing cooperative.

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

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. 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 PFC Capital Project Funds, all of which are considered major funds. Data from the other 22 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. This is the Choice Partners Cooperative fund. 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.

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

**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 as well as required pension system information. 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. The required supplementary information also provides data related to the District's participation in the TRS pension and other post-employment benefit plans as required by GASB Statements No. 68 and 75. Required supplementary information can be found on pages 83-90 of 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**

With the implementation of GASB 75, the net position may not serve as the best indicator of the Department's financial position. A better indicator of the financial position is the Department's Governmental Fund Balance Sheet and fund balances in the General and Capital Projects Funds.

The Department's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,171,447 at August 31, 2019.

**Harris County Department of Education Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 50,287,497	\$ 47,634,797	\$ 1,052,752	\$ 516,763	\$ 51,340,249	\$ 48,151,560
Capital assets	50,532,859	48,589,579	-	-	50,532,859	48,589,579
<b>Total Assets</b>	<b>100,820,356</b>	<b>96,224,376</b>	<b>1,052,752</b>	<b>516,763</b>	<b>101,873,108</b>	<b>96,741,139</b>
Deferred loss on refunding	97,258	121,255	-	-	97,258	121,255
Deferred outflows - pension/OPEB	8,636,853	2,013,211	-	-	8,636,853	2,013,211
<b>Total Deferred Outflows of Resources</b>	<b>8,734,111</b>	<b>2,134,466</b>	<b>-</b>	<b>-</b>	<b>8,734,111</b>	<b>2,134,466</b>
Current liabilities	4,693,231	4,547,974	52,752	16,763	4,745,983	4,564,737
Long term liabilities	64,052,815	57,187,527	-	-	64,052,815	57,187,527
<b>Total Liabilities</b>	<b>68,746,046</b>	<b>61,735,501</b>	<b>52,752</b>	<b>16,763</b>	<b>68,798,798</b>	<b>61,752,264</b>
Deferred inflows - pension/OPEB	11,636,974	13,633,008	-	-	11,636,974	13,633,008
<b>Total Deferred Inflows of Resources</b>	<b>11,636,974</b>	<b>13,633,008</b>	<b>-</b>	<b>-</b>	<b>11,636,974</b>	<b>13,633,008</b>
<b>Net Position:</b>						
Net investment in capital assets	47,908,866	43,712,723	-	-	47,908,866	43,712,723
Unrestricted	(18,737,419)	(20,722,390)	1,000,000	500,000	(17,737,419)	(20,222,390)
<b>Total Net Position</b>	<b>\$ 29,171,447</b>	<b>\$ 22,990,333</b>	<b>\$ 1,000,000</b>	<b>\$ 500,000</b>	<b>\$ 30,171,447</b>	<b>\$ 23,490,333</b>

Net investment in capital assets of \$47,908,866 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

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

assets themselves cannot be used to liquidate these liabilities. The remaining balance of net position is a deficit amount of (\$17,737,419). The deficit reported as unrestricted is related to the net pension and OPEB liabilities (\$13.1 million and \$32.2 million) respectively.

The net position of the Department increased by \$6,681,114 for the year ended August 31, 2019. Detail of the change in the Department's net position follows:

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Program Revenues</b>						
Charges for services	\$ 21,511,437	\$ 20,498,682	\$ 8,389,674	\$ 5,147,496	\$ 29,901,111	\$ 25,646,178
Operating grants	26,730,731	18,289,999	-	-	26,730,731	18,289,999
<b>General Revenues</b>						
Property taxes	23,040,994	22,494,557	-	-	23,040,994	22,494,557
Grants and contributions not restricted	3,901,877	2,439,712	-	-	3,901,877	2,439,712
Investment Earnings	993,098	554,708	-	-	993,098	554,708
Miscellaneous	5,284,651	4,988,233	-	-	5,284,651	4,988,233
<b>Total Revenues</b>	<b>81,462,788</b>	<b>69,265,891</b>	<b>8,389,674</b>	<b>5,147,496</b>	<b>89,852,462</b>	<b>74,413,387</b>
<b>Expenses</b>						
Adult Education Program	4,569,273	1,036,132	-	-	4,569,273	1,036,132
Assistant Superintendents	576,780	550,282	-	-	576,780	550,282
Board of Trustees	177,757	128,396	-	-	177,757	128,396
Business Support Services	1,745,357	1,763,138	-	-	1,745,357	1,763,138
Center for After School, Summer & Expanded Learning	7,090,805	5,934,605	-	-	7,090,805	5,934,605
Center for Safe & Secure Schools	1,050,107	86,464	-	-	1,050,107	86,464
Center for Texas Grant Development	567,705	568,024	-	-	567,705	568,024
Choice Partners Cooperatives	-	-	2,083,863	1,844,392	2,083,863	1,844,392
Client Engagement	644,546	491,644	-	-	644,546	491,644
Communications	837,090	774,921	-	-	837,090	774,921
Department Wide	6,717,410	6,111,173	-	-	6,717,410	6,111,173
Digital Learning	271,230	441,316	-	-	271,230	441,316
Education Certification & Professional Advancement	597,579	627,407	-	-	597,579	627,407
Education Foundation	-	-	-	-	-	-
Facility Support Services	1,038,146	937,572	-	-	1,038,146	937,572
Head Start Program	20,782,352	7,146,626	-	-	20,782,352	7,146,626
Human Resources	1,053,283	1,023,212	-	-	1,053,283	1,023,212
Interest and Fees-Long-Term Debt	274,948	330,095	-	-	274,948	330,095
Purchasing Support Services	566,986	494,421	-	-	566,986	494,421
Records Management Services	2,005,229	1,921,547	-	-	2,005,229	1,921,547
Research & Evaluation Institution	569,157	597,668	-	-	569,157	597,668
Retirement Leave Benefits	118,233	124,832	-	-	118,233	124,832
Scholastic Arts & Writing Program	139,108	99,932	-	-	139,108	99,932
School Based Therapy Services	10,709,672	10,328,779	-	-	10,709,672	10,328,779
Chief of Staff	268,564	239,431	-	-	268,564	239,431
Special Schools & Services	12,743,363	11,535,687	-	-	12,743,363	11,535,687
Superintendent's Office	523,018	443,456	-	-	523,018	443,456
Technology Support Services	4,098,566	3,381,097	-	-	4,098,566	3,381,097
The Teaching & Learning Center	1,351,221	1,262,855	-	-	1,351,221	1,262,855
<b>Total Expenses</b>	<b>81,087,485</b>	<b>58,380,712</b>	<b>2,083,863</b>	<b>1,844,392</b>	<b>83,171,348</b>	<b>60,225,104</b>
Increase (decrease) in net position before special items and transfers	375,303	10,885,179	6,305,811	3,303,104	6,681,114	14,188,283
Transfers	5,805,811	2,803,104	(5,805,811)	(2,803,104)	-	-
Increase (decrease) in net position	6,181,114	13,688,283	500,000	500,000	6,681,114	14,188,283
<b>Beginning Net Position</b>	<b>22,990,333</b>	<b>58,617,710</b>	<b>500,000</b>	<b>-</b>	<b>23,490,333</b>	<b>58,617,710</b>
Prior period adjustment	-	(49,315,660)	-	-	-	(49,315,660)
<b>Ending Net Position</b>	<b>\$ 29,171,447</b>	<b>\$ 22,990,333</b>	<b>\$ 1,000,000</b>	<b>\$ 500,000</b>	<b>\$ 30,171,447</b>	<b>\$ 23,490,333</b>

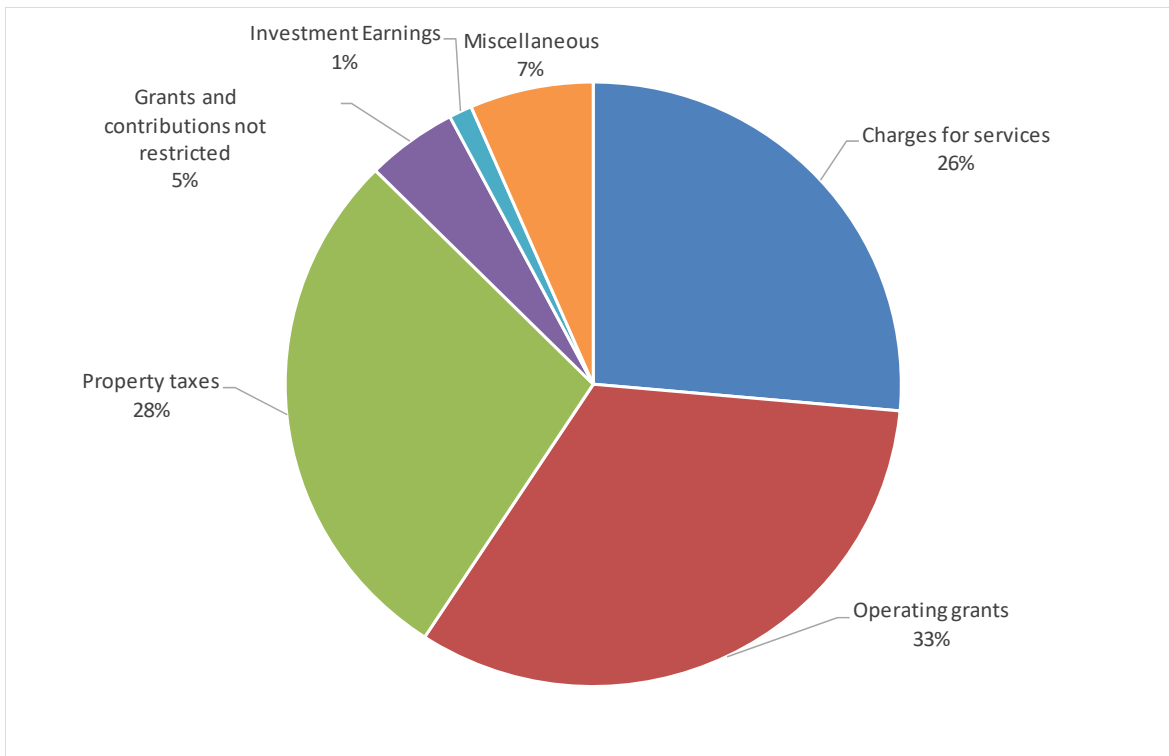
**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited) - (continued)**

The dramatic change in total expenses as well as operating grants and contribution revenues from year-to-year is reflective of a negative adjustment brought about by the implementation of the new OPEB standards implemented in FY18 promulgated by the Government Accounting Standards Board (GASB) and significant changes in benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the Department’s Net OPEB Liability and a resulting negative OPEB expense of \$9,428,321. A comparison of the expenses prior to the negative expense adjustment in FY18 shows a decrease of \$8.2 million from FY19 to FY18.

Revenues for the Department’s governmental activities increased by \$4.0 million when removing the prior year adjustment for negative expense and revenue. The increase is related to an increase in property taxes due to an increase in value as well as an increase in service revenues.

Revenues for the governmental type activities are generated primarily from two sources. The first source is comprised of two groups, Operating Grants and Contributions (\$26,730,731) and Grants and Contributions Not Restricted to Specific Program (\$3,901,877) totaling \$30,632,608, represent 38 percent of total revenues and charges for services (\$21,511,437) represent 26 percent of total revenues. The remaining percent is generated from property taxes, investment earnings, head start non-federal share and miscellaneous revenues.

Revenues by Source – Governmental Activities  
 Total \$81,462,788



Revenues for the business-type activities are generated solely by fees charged to external users of goods and services. Total business-type activities revenues for FY 2019 total \$8,389,674. The increase is related to the need for more procurement services for the areas affected by Hurricane Harvey.



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

The primary program expense of the Department is the Head Start (\$20,782,352) which represents 25.6 percent of total expenses. The special schools and services (\$12,743,363) represents 15.7 percent and school based therapy (\$10,709,672) represents 13.2 percent. The center for after-school, summer and expanded learning and the department-wide budget are each approximately 8 to 9 percent. The remaining individual functional categories of expenses are each less than 5 percent of total expenses. Overall, the increase in expenses is related to an increase in program activity.

**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 \$43,214,487, an increase of \$2,582,935 in comparison with the prior year. The net increase of the combined fund balances was comprised of a fund balance increase in the General Fund of \$3,202,195 and a decrease of \$619,260 in the PFC Capital Projects Fund. Out of the combined fund balances, \$20,930,182 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 \$169,805, restricted fund balance of \$10,600,127, committed fund balance of \$2,014,976 and assigned fund balance of \$9,499,397. 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 \$20,930,182, while total fund balance was \$32,614,360. 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 44 percent of total general fund expenditures, while total fund balance represents 69 percent of that same amount.

The fund balance in the general fund increased \$3,202,195 during the current fiscal year primarily due to an increase in local revenues and a transfer in from the Choice Partner fund and a decrease in the amount transferred out to the capital projects fund. Overall, the general fund's performance resulted in revenues over expenditures of \$3,225,481.

The fund balance for the Head Start Program remains unchanged at zero.

The fund balance for the PFC Capital Project Funds decreased by \$619,260 due to capital project activities.

**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.

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

**General Fund Budgetary Highlights**

During the fiscal year the Department amended the revenue budget by \$1,007,115. The Department's major budget amendments during the year were associated with increases in service agreement fees for the Teaching & Learning Center, AB School East and AB School West (\$963,740).

At year end, local fees for services from various divisions were below the revenue budget by \$1.5 million due to less services needed from the school districts. Tax revenues were \$400 thousand less than budgeted due to collections and protested values but this amount was offset by increased investment earnings. The state revenues were under budget by approximately \$210,000 mainly due to receiving less than anticipated on behalf of the TRS Active Care funding. The grant related revenues exceeded the anticipated budget by approximately \$141,000 due to additional indirect costs from grants.

Over the course of the year the Department revised its budget at each regularly scheduled HCDE Board of Trustees meeting. There was \$1,219,405 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:

- \$140,000 for Department Wide, Business Services & Purchasing needs
- \$315,000 for Teaching & Learning Center
- \$166,740 for ABS West
- \$482,000 for ABS East

There was a \$4,477,001 difference between the final amended budget and actual expenditures. The significant differences are summarized as follows:

- \$251,058 Business Services under budget
- \$244,616 Facilities Local Construction under budget
- \$222,793 Records Management Services under budget
- \$462,289 The Teaching and Learning Center under budget
- \$1,217,917 Special School under budget
- TRS On Behalf exceeded budget by \$8,669
- Facilities Construction Services exceeded budget by \$1858
- CASE exceeded budget by \$5553
- Adult Education Program exceeded budget by \$11,882
- Department Wide exceeded budget by \$452,320

**Capital Assets and Long-Term Liabilities**

**Capital Assets-** At the end of fiscal year 2019, Harris County Department of Education had \$50,532,859 (net of accumulated depreciation of \$30,429,923) invested in capital assets including land, buildings and improvements, furniture and equipment, and construction in progress. The net increase in capital assets in the current year was \$2,113,637, 4% increase.

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

**Harris County Department of Education's Capital Assets**  
*(Net of depreciation)*

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,539,276	\$ 2,539,276	\$ -	\$ -	\$ 2,539,276	\$ 2,539,276
Buildings and Improvements	40,705,010	42,445,150	-	-	40,705,010	42,445,150
Furniture and Equipment	2,982,117	2,541,966	-	-	2,982,117	2,541,966
Construction in Progress	4,306,456	1,063,187	-	-	4,306,456	1,063,187
<b>Total</b>	<b>\$ 50,532,859</b>	<b>\$ 48,589,579</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,532,859</b>	<b>\$ 48,589,579</b>

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

- \$3.6 million increase to Construction in Progress is related primarily to additional construction projects
- 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 \$13,321,378 consisting of \$11,505,000 of lease revenue bonds, \$1,805,715 of qualified zone academy bonds, and \$10,663 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 include for compensated absences and for workers compensation.

**Harris County Department of Education's Long-Term Liabilities**  
*(Net of depreciation)*

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Bonds and Notes Payable, net	\$ 13,321,378	\$ 16,217,498	\$ -	\$ -	\$ 13,321,378	\$ 16,217,498
Other Long-Term Liabilities	5,402,875	5,082,960	-	-	5,402,875	5,082,960
Net Pension Liability (Department Share)	13,093,794	7,762,844	-	-	13,093,794	7,762,844
Net OPEB Liability (Department Share)	32,234,768	28,124,225	-	-	32,234,768	28,124,225
<b>Total</b>	<b>\$ 64,052,815</b>	<b>\$ 57,187,527</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 64,052,815</b>	<b>\$ 57,187,527</b>

During the year ended August 31, 2019, the Department's total long-term liabilities had a net increase of \$6,865,288 (12 percent) due to an increase in the OPEB and pension liabilities.

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.

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

**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 21.6 percent of fiscal year 2019-20 total estimated revenue.
- The unemployment rate for Harris County was 3.6 percent in 2019 while the national rate averaged 4.0 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.

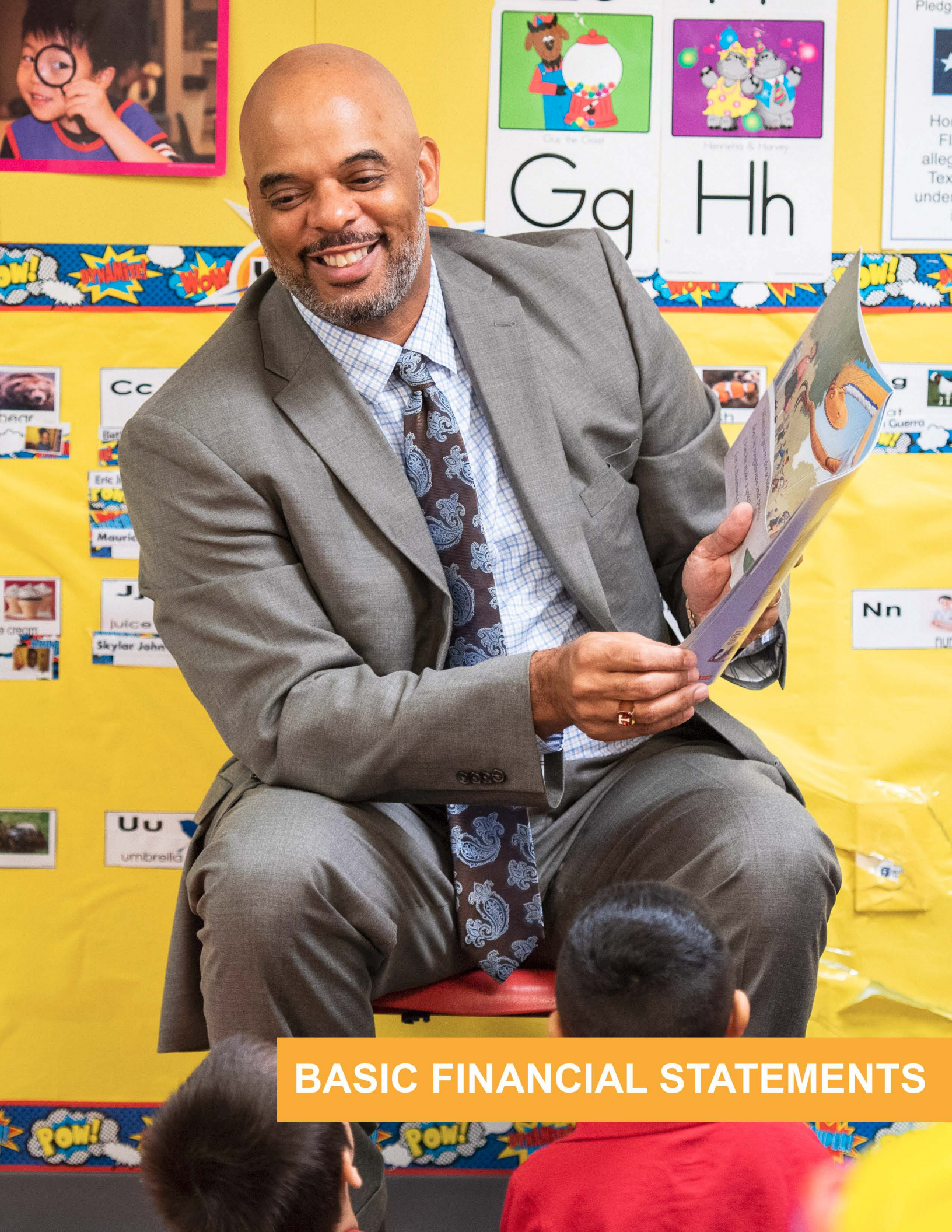
The Department's elected officials considered these and many other many factors when setting the fiscal year 2020 general fund budget and tax rate. The adopted budget is based on the following significant assumptions:

- Estimated revenues from current tax revenues are \$24,279,517, an increase of 4.1 percent from the final fiscal year 2019 budget of \$23,310,040, based on an increase commercial property appraisal values, as estimated by the Harris County Appraisal District.
- Fiscal year 2020 general fund expenditures are budgeted at \$60,114,801, an approximate increase of 5.7 percent from the final fiscal year 2019 budget of \$56,868,191.
- The FY20 budget adopted was a balanced budget with use of assigned fund balance. The final fiscal year 2019 general fund budget projected an increase of \$3,202,244 of total fund balance; a decrease of \$41,768 of non-spendable fund balance and \$3,392,262 increase in unassigned fund balance. During the current fiscal year, unassigned fund balance in the general was \$17,769,755. The tax rate of \$0.0050 per \$100 appraised/taxable property was adopted for fiscal year 2019-2020.

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 16 percent of total budgeted appropriations including other uses for fiscal year 2020. The projected year fiscal year 2020 total fund balance of the general fund is \$20,384,139.

**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) 696-8249 or by email to [jamezcua@hcde-texas.org](mailto:jamezcua@hcde-texas.org).



# BASIC FINANCIAL STATEMENTS

**Back of Basic Financial Statements Divider**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**August 31, 2019**

*Exhibit A-1*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 44,259,546	\$ 216,669	\$ 44,476,215
Property taxes receivable (net)	800,700	-	800,700
Due from other governments	3,286,805	-	3,286,805
Other receivables	1,316,947	836,083	2,153,030
Inventories	131,949	-	131,949
Prepaid items	491,550	-	491,550
Capital Assets:			
Land	2,539,276	-	2,539,276
Construction in Progress	4,306,456	-	4,306,456
Buildings and improvements	60,592,109	-	60,592,109
Furniture and equipment	13,524,941	-	13,524,941
Accumulated depreciation	(30,429,923)	-	(30,429,923)
<b>Total Assets</b>	<b>100,820,356</b>	<b>1,052,752</b>	<b>101,873,108</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows on bond refunding	97,258	-	97,258
Deferred outflow related to OPEB	2,721,189	-	2,721,189
Deferred outflow related to pension	5,915,664	-	5,915,664
<b>Total Deferred outflows of resources</b>	<b>8,734,111</b>	<b>-</b>	<b>8,734,111</b>
<b>Liabilities</b>			
Accounts payable	2,985,305	13,812	2,999,117
Payroll deductions payable	1,003,232	-	1,003,232
Accrued wages payable	134,964	-	134,964
Accrued interest payable	10,226	-	10,226
Due to Other Governments	161,228	20,840	182,068
Unearned revenues	398,276	18,100	416,376
Long-term Liabilities			
Due within one year	3,566,375	-	3,566,375
Due in more than one year	15,157,878	-	15,157,878
Net OPEB Liability (Department's Share)	32,234,768	-	32,234,768
Net Pension Liability (Department's Share)	13,093,794	-	13,093,794
<b>Total Liabilities</b>	<b>68,746,046</b>	<b>52,752</b>	<b>68,798,798</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to OPEB	10,257,590	-	10,257,590
Deferred inflow related to pension	1,379,384	-	1,379,384
<b>Total Deferred inflows of resources</b>	<b>11,636,974</b>	<b>-</b>	<b>11,636,974</b>
<b>Net Position</b>			
Net investment in capital assets	47,908,866	-	47,908,866
Unrestricted	(18,737,419)	1,000,000	(17,737,419)
<b>Total Net Position</b>	<b>\$ 29,171,447</b>	<b>\$ 1,000,000</b>	<b>\$ 30,171,447</b>





**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended August 31, 2019*

*Exhibit A-2*

	Net (Expense) Revenues and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
Adult Education Program	\$ 4,569,273	\$ -	\$ 4,541,994	\$ (27,279)	\$ -	\$ (27,279)
Assistant Superintendents	576,780	-	118,000	(458,780)	-	(458,780)
Board of Trustees	177,757	-	118,000	(59,757)	-	(59,757)
Business Support Services	1,745,357	55,098	122,091	(1,568,168)	-	(1,568,168)
Expanded Learning	7,090,805	94,748	3,707,062	(3,288,995)	-	(3,288,995)
Center for Safe & Secure Schools	1,050,107	229,396	87,192	(733,519)	-	(733,519)
Center for Texas Grant Development	567,705	2,495	6,629	(558,581)	-	(558,581)
Client Engagement	644,546	-	10,286	(634,260)	-	(634,260)
Communications	837,090	-	6,000	(831,090)	-	(831,090)
Department Wide	6,717,410	43,979	-	(6,673,431)	-	(6,673,431)
Digital Learning	271,230	12,085	-	(259,145)	-	(259,145)
Professional Advancement	597,579	204,520	6,000	(387,059)	-	(387,059)
Facility Support Services	1,038,146	-	34,974	(1,003,172)	-	(1,003,172)
Head Start Program	20,782,352	20	17,551,189	(3,231,143)	-	(3,231,143)
Human Resources	1,053,283	-	6,000	(1,047,283)	-	(1,047,283)
Interest and Fees-Long-Term Debt	274,948	-	-	(274,948)	-	(274,948)
Purchasing Support Services	566,986	-	18,000	(548,986)	-	(548,986)
Records Management Services	2,005,229	1,687,681	7,845	(309,703)	-	(309,703)
Research & Evaluation Institution	569,157	80,786	7,569	(480,802)	-	(480,802)
Retirement Leave Benefits	118,233	-	-	(118,233)	-	(118,233)
Scholastic Arts & Writing Program	139,108	-	33	(139,075)	-	(139,075)
School Based Therapy Services	10,709,672	8,981,971	145,465	(1,582,236)	-	(1,582,236)
Chief of Staff	268,564	-	2,408	(266,156)	-	(266,156)
Special Schools & Services	12,743,363	8,880,541	155,871	(3,706,951)	-	(3,706,951)
Superintendent's Office	523,018	-	6,000	(517,018)	-	(517,018)
Technology Support Services	4,098,566	1,200	44,835	(4,052,531)	-	(4,052,531)
The Teaching & Learning Center	1,351,221	1,236,917	27,288	(87,016)	-	(87,016)
<b>Total Governmental Activities</b>	<b>81,087,485</b>	<b>21,511,437</b>	<b>26,730,731</b>	<b>(32,845,317)</b>	<b>-</b>	<b>(32,845,317)</b>
<b>Business-Type Activities:</b>						
Choice Partners Cooperative	2,083,863	8,389,674	-	-	6,305,811	6,305,811
<b>Total Business-Type Activities</b>	<b>2,083,863</b>	<b>8,389,674</b>	<b>-</b>	<b>-</b>	<b>6,305,811</b>	<b>6,305,811</b>
<b>Total Primary Government</b>	<b>\$ 83,171,348</b>	<b>\$ 29,901,111</b>	<b>\$ 26,730,731</b>	<b>(32,845,317)</b>	<b>6,305,811</b>	<b>(26,539,506)</b>
<b>General Revenues:</b>						
Property Taxes, Levied for General Purposes				23,040,994	-	23,040,994
Grants and Contributions Not Restricted to Specific Program				3,901,877	-	3,901,877
Investment Earnings				993,098	-	993,098
Miscellaneous				5,284,651	-	5,284,651
Transfers				5,805,811	(5,805,811)	-
Total General Revenues				39,026,431	(5,805,811)	33,220,620
Change in Net Position				6,181,114	500,000	6,681,114
<b>Net Position-Beginning</b>				<b>22,990,333</b>	<b>500,000</b>	<b>23,490,333</b>
<b>Net Position-Ending</b>				<b>\$ 29,171,447</b>	<b>\$ 1,000,000</b>	<b>\$ 30,171,447</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**August 31, 2019**

*Exhibit B-1*  
*Page 1 of 2*

	<b>General Fund</b>	<b>Head Start Program</b>	<b>Capital Projects Fund</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 31,340,505	\$ -	\$ 10,710,369
Property taxes receivable	817,041	-	-
Allowance for uncollectible taxes	(16,341)	-	-
Due from other governments	269,746	1,103,099	-
Due from other funds	2,342,900	-	-
Other receivables	1,716,947	-	-
Allowance for uncollectible receivables	(400,000)	-	-
Inventories	131,949	-	-
Prepaid Items	37,856	49,335	-
<b>Total Assets</b>	<u>\$ 36,240,603</u>	<u>\$ 1,152,434</u>	<u>\$ 10,710,369</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,635,060	\$ 113,520	\$ 110,242
Payroll Deductions Payable	1,003,232	-	-
Accrued wages payable	66,572	3,035	-
Due to other funds	20,698	994,452	-
Due to other governments	75,360	41,427	-
Unearned revenues-other	24,621	-	-
<b>Total Liabilities</b>	<u>2,825,543</u>	<u>1,152,434</u>	<u>110,242</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue-property taxes	800,700	-	-
<b>Total Deferred Inflows of Resources</b>	<u>800,700</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventory	131,949	-	-
Prepaid Items	37,856	-	-
<b>Restricted:</b>			
PFC Construction Projects	-	-	10,600,127
<b>Committed:</b>			
Capital Projects	1,314,976	-	-
Retirement Employee Leave	500,000	-	-
Unemployment Liability	200,000	-	-
<b>Assigned:</b>			
Building & Vehicle Replacement Acquisition	1,000,000	-	-
Asset Replacement & Acquisition	1,000,000	-	-
Local Construction	2,500,000	-	-
QZAB Payment	691,129	-	-
PFC Lease Payment	2,458,268	-	-
Workforce Development	1,000,000	-	-
New Program Initiative	850,000	-	-
Unassigned	20,930,182	-	-
<b>Total Fund Balances</b>	<u>32,614,360</u>	<u>-</u>	<u>10,600,127</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 36,240,603</u>	<u>\$ 1,152,434</u>	<u>\$ 10,710,369</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**August 31, 2019**

*Exhibit B-1*  
*Page 2 of 2*

	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 771,174	\$ 42,822,048
Property taxes receivable	-	817,041
Allowance for uncollectible taxes	-	(16,341)
Due from other governments	1,923,748	3,296,593
Due from other funds	-	2,342,900
Other receivables	-	1,716,947
Allowance for uncollectible receivables	-	(400,000)
Inventories	-	131,949
Prepaid Items	9,415	96,606
<b>Total Assets</b>	<u>\$ 2,704,337</u>	<u>\$ 50,807,743</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 872,117	\$ 2,730,939
Payroll Deductions Payable	-	1,003,232
Accrued wages payable	55,888	125,495
Due to other funds	1,348,448	2,363,598
Due to other governments	54,229	171,016
Unearned revenues-other	373,655	398,276
<b>Total Liabilities</b>	<u>2,704,337</u>	<u>6,792,556</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue-property taxes	-	800,700
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>800,700</u>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Inventory	-	131,949
Prepaid Items	-	37,856
<b>Restricted:</b>		
PFC Construction Projects	-	10,600,127
<b>Committed:</b>		
Capital Projects	-	1,314,976
Retirement Employee Leave	-	500,000
Unemployment Liability	-	200,000
<b>Assigned:</b>		
Building & Vehicle Replacement Acquisition	-	1,000,000
Asset Replacement & Acquisition	-	1,000,000
Local Construction	-	2,500,000
QZAB Payment	-	691,129
PFC Lease Payment	-	2,458,268
Workforce Development	-	1,000,000
New Program Initiative	-	850,000
Unassigned	-	20,930,182
<b>Total Fund Balances</b>	<u>-</u>	<u>43,214,487</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 2,704,337</u>	<u>\$ 50,807,743</u>



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**August 31, 2019**

*Exhibit B-2*

**Total Fund Balances-Governmental Funds (Exhibit B-1)** \$ 43,214,487

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. 50,532,859  
 The governmental capital assets cost of \$80,962,782 exceeds the related accumulated depreciation of \$30,429,923.

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. 800,700

Deferred Outflows and Inflows of Resources related to the Pension Standards of \$5,915,664 and \$1,379,384 respectively 4,536,280

Deferred Outflows and Inflows of Resources related to the OPEB Standards of \$2,721,189 and \$10,257,590 respectively (7,536,401)

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	\$ (13,310,715)	
Accrued Interest on Bonds and Notes Payable	(10,226)	
Premium on Bonds	(10,663)	
Net Pension Liability	(13,093,794)	
Net OPEB Liability	(32,234,768)	
Compensated Absences	<u>(5,275,392)</u>	
		(63,935,558)

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 97,258

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 1,461,822

**Total Net Position-Governmental Activities (Exhibit A-1)** \$ 29,171,447

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2019**

*Exhibit B-3*  
*Page 1 of 2*

	<b>General Fund</b>	<b>Head Start Program</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>			
Local and Intermediate Sources	\$ 45,328,028	\$ 3,082	\$ 239,776
State Programs	3,289,156	-	-
Federal Programs	1,817,722	12,460,209	-
<b>Total Revenues</b>	<b>50,434,906</b>	<b>12,463,291</b>	<b>239,776</b>
<b>Expenditures</b>			
<b>Current:</b>			
Adult Education Program	163,066	-	-
Assistant Superintendents	567,780	-	-
Board of Trustees	177,757	-	-
Business Support Services	1,726,357	-	-
Center for After-School, Summer & Expanded Learning	694,019	-	-
Center for Safe & Secure Schools	531,902	-	-
Center for Texas Grants Development	558,705	-	-
Client Engagement	635,546	-	-
Communications	823,411	-	-
Department Wide	6,727,446	-	-
Digital Education & Innovation	223,123	-	-
Education Certification & Professional Advancement	577,079	-	-
Facility Support Services	1,025,227	-	-
Head Start Program	3,274	12,592,979	-
Human Resources	1,044,283	-	-
Purchasing Support Services	538,986	-	-
Records Management Services	1,917,340	-	-
Research & Evaluation Institute	560,157	-	-
Retirement Leave Benefits	118,233	-	-
Scholastic Arts & Writing Program	139,108	-	-
School Based Therapy Services	10,550,740	-	-
Chief of Staff	269,039	-	-
Special Schools & Services	12,125,469	-	2,859,036
Superintendent's Office	513,510	-	-
Technology Support Services	3,690,024	-	-
The Teaching & Learning Center	1,307,844	-	-
<b>Debt Service:</b>			
Principal on Long-Term Debt	-	-	-
Interest on Long-Term Debt	-	-	-
<b>Total Expenditures</b>	<b>47,209,425</b>	<b>12,592,979</b>	<b>2,859,036</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>3,225,481</b>	<b>(129,688)</b>	<b>(2,619,260)</b>
<b>Other Financing Sources (uses)</b>			
Transfers In	5,805,811	129,688	2,000,000
Transfers Out	(5,829,097)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(23,286)</b>	<b>129,688</b>	<b>2,000,000</b>
Net Change in Fund Balances	3,202,195	-	(619,260)
<b>Fund Balances-Beginning</b>	<b>29,412,165</b>	<b>-</b>	<b>11,219,387</b>
<b>Fund Balances-Ending</b>	<b>\$ 32,614,360</b>	<b>\$ -</b>	<b>\$ 10,600,127</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2019**

*Exhibit B-3*  
*Page 2 of 2*

	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Local and Intermediate Sources	\$ 5,288,251	\$ 50,859,137
State Programs	-	3,289,156
Federal Programs	11,345,421	25,623,352
<b>Total Revenues</b>	<b>16,633,672</b>	<b>79,771,645</b>
<b>Expenditures</b>		
<b>Current:</b>		
Adult Education Program	4,079,607	4,242,673
Assistant Superintendents	-	567,780
Board of Trustees	-	177,757
Business Support Services	-	1,726,357
Center for After-School, Summer & Expanded Learning	6,238,648	6,932,667
Center for Safe & Secure Schools	85,959	617,861
Center for Texas Grants Development	-	558,705
Client Engagement	-	635,546
Communications	-	823,411
Department Wide	-	6,727,446
Digital Education & Innovation	21,257	244,380
Education Certification & Professional Advancement	11,500	588,579
Facility Support Services	-	1,025,227
Head Start Program	6,718,661	19,314,914
Human Resources	-	1,044,283
Purchasing Support Services	-	538,986
Records Management Services	-	1,917,340
Research & Evaluation Institute	-	560,157
Retirement Leave Benefits	-	118,233
Scholastic Arts & Writing Program	-	139,108
School Based Therapy Services	-	10,550,740
Chief of Staff	-	269,039
Special Schools & Services	11,961	14,996,466
Superintendent's Office	-	513,510
Technology Support Services	-	3,690,024
The Teaching & Learning Center	16,866	1,324,710
<b>Debt Service:</b>		
Principal on Long-Term Debt	2,886,429	2,886,429
Interest on Long-Term Debt	263,067	263,067
<b>Total Expenditures</b>	<b>20,333,955</b>	<b>82,995,395</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,700,283)</b>	<b>(3,223,750)</b>
<b>Other Financing Sources (uses)</b>		
Transfers In	3,700,283	11,635,782
Transfers Out	-	(5,829,097)
<b>Total Other Financing Sources (Uses)</b>	<b>3,700,283</b>	<b>5,806,685</b>
Net Change in Fund Balances	-	2,582,935
<b>Fund Balances-Beginning</b>	<b>-</b>	<b>40,631,552</b>
<b>Fund Balances-Ending</b>	<b>\$ -</b>	<b>\$ 43,214,487</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended August 31, 2019**

*Exhibit B-4*

<b>Total Net Change in Fund Balances-Governmental Funds (Exhibit B-3):</b>	<b>\$ 2,582,935</b>
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 of \$3,936,232 exceeds depreciation expense of \$1,992,952 in the period	1,943,280
Pension contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net pension liability is opposed to expenses in the statement of activity	867,842
OPEB contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in net OPEB liability is opposed to expenses in the statement of activity	466,951
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,886,429
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	(10,898)
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	\$ 2,423
Amortization of Bond Premium	8,731
Amortization of deferred charge on refunding	<u>(23,997)</u>
	(12,843)
The net increase 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.	(381,246)
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.	12,997
Pension expense for the plan measurement year	(1,359,383)
OPEB expense for the current year	<u>(814,950)</u>
<b>Change in Net Position of Governmental Activities (Exhibit A-2):</b>	<b><u>\$ 6,181,114</u></b>



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
*August 31, 2019*

*Exhibit B-5*

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Choice Partners</b>	<b>Internal Service Funds</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 216,669	\$ 1,437,498
Due from other funds	-	20,698
Due from Vendors	836,083	-
Prepaid Items	-	394,944
<b>Total Assets</b>	<b>1,052,752</b>	<b>1,853,140</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	13,812	254,366
Accrued wages payable	-	9,469
Claims Payable - due within one year	-	127,483
Due to other governments	20,840	-
Unearned Revenues	18,100	-
<b>Total Liabilities</b>	<b>52,752</b>	<b>391,318</b>
<b>Net Position</b>		
Unrestricted	1,000,000	1,461,822
<b>Total Net Position</b>	<b>\$ 1,000,000</b>	<b>\$ 1,461,822</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND NET POSITION – PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

*Exhibit B-6*

	<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	\$ 8,389,674	\$ 5,358,235
<b>Total Operating Revenues</b>	<u>8,389,674</u>	<u>5,358,235</u>
<b>Operating Expenses</b>		
Payroll Costs	1,370,380	2,464,962
Professional Services	367,293	1,696,516
Supplies and Materials	50,916	441,047
Miscellaneous Operating Expenses	295,274	746,295
<b>Total Operating Expenses</b>	<u>2,083,863</u>	<u>5,348,820</u>
<b>Operating Income</b>	6,305,811	9,415
Transfer Out	<u>(5,805,811)</u>	<u>-</u>
Change in net position	500,000	9,415
<b>Total Net Position-Beginning</b>	<u>500,000</u>	<u>1,452,407</u>
<b>Total Net Position-Ending</b>	<u>\$ 1,000,000</u>	<u>\$ 1,461,822</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

*Exhibit B-7*

	<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 customers	\$ 8,434,309	\$ -
Receipts from operating activities with other funds	-	5,337,537
Payments to employees	(1,370,380)	(2,466,006)
Payments to suppliers	(694,394)	(2,516,897)
Payments for workers' compensation claims	-	(410,953)
<b>Net cash provided by (used by) operating activities</b>	<u>6,369,535</u>	<u>(56,319)</u>
<b>Cash Flows for Investing Activities</b>		
Transfer to General Fund	(6,152,866)	-
<b>Net cash used for Investing Activities</b>	<u>(6,152,866)</u>	<u>-</u>
Net increase in cash and cash equivalents	216,669	(56,319)
<b>Cash and cash equivalents at beginning of year</b>	<u>-</u>	<u>1,493,817</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 216,669</u>	<u>\$ 1,437,498</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>		
Operating income	6,305,811	9,415
<b>Changes in Assets and Liabilities</b>		
Decrease (increase) in prepaid items	-	(106,956)
Decrease (increase) in accounts receivable	27,735	-
Increase (decrease) in accounts payable	(1,751)	124,295
Increase (decrease) in accrued wages payable	-	(1,044)
Increase (decrease) in interfund payables	-	(20,698)
Increase (decrease) in claims payable	-	(61,331)
Increase (decrease) in due to others	20,840	-
Increase (decrease) in deferred revenues	16,900	-
<b>Net cash provided (used) by operating activities</b>	<u>\$ 6,369,535</u>	<u>\$ (56,319)</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
*August 31, 2019*

*Exhibit B-8*

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 44,394
<b>Total Assets</b>	<u>\$ 44,394</u>
<b>Liabilities</b>	
Accounts payable	\$ 44,394
<b>Total Liabilities</b>	<u>\$ 44,394</u>

**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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**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.

**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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

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 position, and unrestricted net position. 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**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.

**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.



**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting (continued)**

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.

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*.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Other Accounting Policies-Assets, Liabilities, and Net Position or Equity (continued)**

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, 2019. 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 2018 (fiscal year 2019) was \$0.005190 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.

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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Other Accounting Policies-Assets, Liabilities, and Net Position or Equity (continued)**

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 position. 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.

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 year's immediately preceding retirement shall be paid for accumulated local personal

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Other Accounting Policies-Assets, Liabilities, and Net Position or Equity (continued)**

6. Compensated Absences (continued)

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. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Other Accounting Policies-Assets, Liabilities, and Net Position or Equity (continued)**

9. 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.

**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 Restricted 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.

**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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

9. Fund Balances and Net Position (continued)

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 \$20,930,182 which is 44 percent of the fiscal year 2019 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.

10. Deferred Outflows and Inflows of Resources

A *deferred outflow of resources* is a consumption of a government's net position (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 three 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 Department's proportional share of pension liabilities.

Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the Department's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Other Accounting Policies-Assets, Liabilities, and Net Position or Equity (continued)**

10. Deferred Outflows and Inflows of Resources (continued)

A *deferred inflow of resources* is an acquisition of a government's net position (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 Department has three 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 Department'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.
- Deferred inflows of resources for other post-employment benefits (OPEB) – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

11. 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.

12. 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.

- GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.
- GASB Statement No. 88, Certain Disclosures related to Debt. This Statement establishes certain disclosures related debt, including direct borrowing and direct placements.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Other Accounting Policies-Assets, Liabilities, and Net Position or Equity (continued)**

12. Implementation of new standards (continued)

The following standards have been issued, but have not been implemented as not yet effective.

- GASB No. Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The criteria generally focus on: whether a government is controlling the assets of the fiduciary activity, and the beneficiaries with whom a fiduciary relationship exists.
- GASB No. Statement No. 87, provides guidance for lease contracts for nonfinancial assets—including vehicles, heavy equipment, and buildings—but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses).
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.
- GASB Statement No. 90, *Majority Equity Interests*. An amendment of GASB Statements No. 14 and No. 61.

**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.



**Note 2 - Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Data (continued)**

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 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 2019, 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.

**Note 3 - Deposits and Investments (continued)**

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 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.

**Note 3 - Deposits and Investments (continued)**

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, 2019, the carrying amount of the Department’s deposits was \$2,620,226 and the bank balance was \$3,623,042. The Department’s entire bank balance on August 31, 2019, 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.

As of August 31, 2019, the Department held the following deposits (cash) and investments:

<u>Type of Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage of Investment Portfolio</u>	<u>S&amp;P Credit Quality Rating</u>
<b>Public Funds Investment Pools:</b>				
TexSTAR	\$ 29,266,508	33	33.87%	AAAm
Lone Star	2,617,669	22	3.03%	AAA
TexPool	10,015,869	31	11.59%	AAAm
<b>Governmental Activities Total Investments</b>	<u>41,900,046</u>		<u>48.48%</u>	
<b>Cash and Cash Equivalents</b>				
Governmental Activities	44,259,546		51.21%	
Business-Type Activities	216,669			
Fiduciary Funds	44,394			
<b>Total Cash and Cash Equivalents</b>	<u>44,520,609</u>		<u>51.21%</u>	
	<u>\$ 86,420,655</u>		<u>99.70%</u>	
<i>Portfolio Weighted Average Maturity</i>		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.

**Note 3 - Deposits and Investments (continued)**

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.

**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:

	<u>General Fund</u>	<u>Head Start Program</u>	<u>Nonmajor &amp; Other Funds</u>	<u>Total</u>
<b>Receivables:</b>				
Property taxes	\$ 817,041	\$ -	\$ -	\$ 817,041
Due from other governments:				
Local	-	-	108,132	108,132
Federal	269,746	1,103,099	1,832,413	3,205,258
Other receivables	<u>1,716,947</u>	<u>-</u>	<u>-</u>	<u>1,716,947</u>
Gross Receivables	2,803,734	1,103,099	1,940,545	5,847,378
Less: Allowance for uncollectible taxes	(16,341)	-	-	(16,341)
Less: Allowance for uncollectible receivables	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
	<u>\$ 2,387,393</u>	<u>\$ 1,103,099</u>	<u>\$ 1,940,545</u>	<u>\$ 5,431,037</u>

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, 2019, the deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 800,700	\$ -
Grant Revenues Received but not Expended	<u>-</u>	<u>398,276</u>
for Governmental Funds	<u>\$ 800,700</u>	<u>\$ 398,276</u>

**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, 2019, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Funds:</b>		
General Fund	\$ 2,342,900	\$ 20,698
Head Start Program - Special Revenue Fund	-	994,452
Nonmajor Governmental Funds	-	1,348,448
Internal Service Funds	20,698	-
<b>Total Governmental Funds</b>	<u>\$ 2,363,598</u>	<u>\$ 2,363,598</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, 2019:

\$ 3,700,283	From the General Fund to the Non-Major Funds to fund the local match and routine debt service payments
129,688	From the General Fund to Head Start
2,000,000	From the General Fund to the PFC Capital Project
<u>5,805,811</u>	From the Enterprise fund to the General Fund to support HCDE programs
<u>\$11,635,782</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.

**Note 6 - Capital Assets**

Capital asset activity for the year ended August 31, 2019, are as follows:

	Beginning Balance	Additions	Transfers, Adjustments and Deletions	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	1,357,343	-	-	1,357,343
Construction in Progress	<u>1,063,187</u>	<u>3,555,206</u>	<u>(311,937)</u>	<u>4,306,456</u>
<b>Total Capital Assets, not being Depreciated</b>	<u>3,602,463</u>	<u>3,555,206</u>	<u>(311,937)</u>	<u>6,845,732</u>
<b>Capital Assets being Depreciated:</b>				
Buildings and Improvements-GF	28,325,759	-	311,937	28,637,696
Buildings and Improvements-PFC	31,954,413	-	-	31,954,413
Furniture and Equipment-GF	<u>13,143,915</u>	<u>381,026</u>	<u>-</u>	<u>13,524,941</u>
<b>Total Capital assets, being Depreciated</b>	<u>73,424,087</u>	<u>381,026</u>	<u>311,937</u>	<u>74,117,050</u>
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements-GF	(4,848,162)	(1,255,430)	-	(6,103,592)
Building and Improvements-PFC	(13,783,507)	-	-	(13,783,507)
Furniture and Equipment-GF	<u>(9,805,302)</u>	<u>(737,522)</u>	<u>-</u>	<u>(10,542,824)</u>
<b>Total Accumulated Depreciation</b>	<u>(28,436,971)</u>	<u>(1,992,952)</u>	<u>-</u>	<u>(30,429,923)</u>
<b>Total Capital assets, being Depreciated, net</b>	<u>44,987,116</u>	<u>(1,611,926)</u>	<u>311,937</u>	<u>43,687,127</u>
<b>Total Governmental Activities Capital Assets, net</b>	<u>\$ 48,589,579</u>	<u>\$ 1,943,280</u>	<u>\$ -</u>	<u>\$ 50,532,859</u>

**Construction Commitments**

The Department has active construction project as of August 31, 2019. Various projects amounting to \$865,005 and additional ABS West projects of \$2,398,351 make up the balance in CIP. The Department has fully funded these construction commitments.

**Note 6 - Capital Assets (continued)**

Depreciation expense was charged to Department programs as follows:

**Governmental Activities**

Superintendent's Office	508
Facilities Acquisition and Construction	821,573
Technology Support Services	370,542
Digital Learning	26,901
Department Wide	42,795
Special Schools and Services	339,773
Adult Education Program	40,639
The Teaching and Learning Center	5,615
Fortis Academy	61,866
Head Start Program	213,496
Center for After-School, Summer and Expanded Learning	1,251
Communications	4,679
Records Management Services	63,314
<b>Total Depreciation Expense</b>	<b>1,992,952</b>

**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
<b>Governmental Activities</b>					
<b>Bonds and Notes Payable:</b>					
Lease Revenue Bonds	\$ 13,705,000	\$ -	\$ (2,200,000)	\$ 11,505,000	\$ 2,255,000
Qualified Zone Academy Bonds	2,257,142	-	(451,427)	1,805,715	451,429
Maintenance Tax Notes	235,000	-	(235,000)	-	-
Plus:					
Issuance Premiums	20,356	-	(9,693)	10,663	9,697
<b>Total Bonds and Notes Payable, net</b>	<b>16,217,498</b>	<b>-</b>	<b>(2,896,120)</b>	<b>13,321,378</b>	<b>2,716,126</b>
Workers' Compensation	188,814	-	(61,331)	127,483	127,483
Compensated Absences	4,894,148	381,244	-	5,275,392	722,766
<b>Total Long-term Liabilities</b>	<b>\$ 21,300,460</b>	<b>\$ 381,244</b>	<b>\$ (2,957,451)</b>	<b>\$ 18,724,253</b>	<b>\$ 3,566,375</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.

**Note 7 - Long-Term Liabilities (continued)**

**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.

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, 2019. The Department’s general obligation maintenance tax debt payable and lease revenue as of August 31, 2019, 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	\$ 6,280,000	\$ -	\$ (1,090,000)	\$ 5,190,000
2015	Lease Revenue Refunding	4,255,000	4.13-5.75%	2/15/2023	1,735,000	-	(435,000)	1,300,000
2016	Lease Revenue Bond	7,000,000	1.68%	2/15/2026	5,690,000	-	(675,000)	5,015,000
2009A	QZAB *	6,320,000	0.00%	8/31/2023	2,257,142	-	(451,429)	1,805,713
2009B	Maintenance Tax Notes	2,000,000	3.00-4.00%	2/15/2019	235,000	-	(235,000)	-
<b>Totals</b>					16,197,142	-	(2,886,429)	13,310,713
	Plus: Issuance Premiums				20,356	-	(9,693)	10,663
<b>Totals</b>					<b>\$ 16,217,498</b>	<b>\$ -</b>	<b>\$ (2,896,122)</b>	<b>\$ 13,321,376</b>



**Note 7 - Long-Term Liabilities (continued)**

**B. Bonds and Notes (continued)**

The following tables summarize by type the annual debt service requirements of the outstanding debt issues at August 31, 2019 to maturity.

***Lease Revenue Bonds***

Years Ended August 31	Principal	Interest	Total Requirements
2020	\$ 2,255,000	\$ 211,182	\$ 2,466,182
2021	2,305,000	162,614	2,467,614
2022	2,350,000	113,032	2,463,032
2023	2,395,000	62,479	2,457,479
2024	720,000	30,912	750,912
2025-2029	1,480,000	24,864	1,504,864
<b>Totals:</b>	<u>\$ 11,505,000</u>	<u>\$ 605,083</u>	<u>\$ 12,110,083</u>

***Qualified Zone Academy Bonds & Maintenance Tax Notes***

Years Ended August 31	Principal	Interest	Total Requirements
2020	\$ 451,429	-	\$ 451,429
2021	451,428	-	451,428
2022	451,428	-	451,428
2023	451,430	-	451,430
<b>Totals:</b>	<u>\$ 1,805,715</u>	<u>\$ -</u>	<u>\$ 1,805,715</u>

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

Years Ended August 31	Principal	Interest	Total Requirements
2020	\$ 2,706,429	\$ 211,182	\$ 2,917,611
2021	2,756,428	162,614	2,919,042
2022	2,801,428	113,032	2,914,460
2023	2,846,430	62,479	2,908,909
2024	720,000	30,912	750,912
2025-2029	1,480,000	24,864	1,504,864
<b>Totals</b>	<u>\$ 13,310,715</u>	<u>\$ 605,083</u>	<u>\$ 13,915,798</u>

**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, 2019 follows:

Fund	Amount
STOP School Violence	\$ 7,919
GenCyber Grant	2,412
ABE Basic Grants to States & English Literacy	240,217
21st Century Community Learning Centers	13,020
AEL Distance Learning Capacity Building Initiative	6,011
Temporary Assistance for Needy Families	215
Head Start and Early Head Start	1,446,100
FEMA - Hurricane Harvey	101,989
<b>Total General Fund Federal Program Revenue</b>	<b><u>\$ 1,817,883</u></b>

**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 2019, 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	\$ 891,908
<i>Pass-Through Expenditures -</i> School Districts:	
Aldine ISD – 1 Campus	29,987
Houston ISD – 7 Campuses	185,359
Pasadena ISD – 1 Campus	29,573
Alief ISD - 7 Campus	176,268
Sheldon ISD - 3 Campuses	45,000
Charter Schools:	
Academy for Accelerated Learning	30,000
<b>Total Pass-through Expenditures</b>	<b>496,187</b>
Local contributions	550,787
<b>Grand Total Expenditures</b>	<b><u>\$ 837,308</u></b>

**Note 9 - Shared Service Arrangements (continued)**

**B. 21st Century Community Learning Centers** - During fiscal year 2019, the Department was the fiscal agent for 19-member independent school districts and 1 charter school (19 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:

<u>Members</u>	<u>Expenditures</u>
<i>Fiscal Agent -</i>	
HCDE	\$ 412,081
<i>Pass-Through Expenditures -</i>	
School Districts:	
Aldine ISD- 1 Campuses	131,373
Alief ISD- 1 Campuses	128,611
Clear Creek ISD- 1 Campus	142,573
Galena Park ISD- 4 Campuses	500,257
Houston ISD- 1 Campus	136,705
Humble ISD- 1 Campus	79,958
Pasadena ISD- 1 Campuses	132,870
Sheldon ISD- 4 Campuses	505,929
Spring ISD-1 Campuses	129,068
Charter Schools:	
Baker Ripley Charter Promise	
Community School	117,494
AAMA- 1 Campus	109,087
Raul Yzaguirre	116,303
Southwest Middle	264,000
<b>Total Pass-Through Expenditures</b>	<u>2,494,228</u>
<b>Grand Total Expenditures</b>	<u>\$ 2,906,309</u>

\* MISD = Municipal Independent School District

**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.)	\$ 3,150,000
Professional services	806,245
Retirement reserve	(300,000)
General Supplies	85,009
Facility support charges	2,423,504
Miscellaneous operating	106,926
Capital Outlay	17,319
<b>Total</b>	<u>\$ 6,289,003</u>

**Note 11 - Risk Management**

- A. Health Insurance** - During the year ending August 31, 2018, 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** - 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. Effective September 1, 2016, the Department participated in a fully-insured worker's compensation program with Texas Mutual.

	<u>Year Ended</u> <u>8/31/2018</u>	<u>Year Ended</u> <u>8/31/2019</u>
Unpaid claims, beginning of fiscal year	\$ 267,488	\$ 188,814
Incurred claims (Including IBNRs*)	(32,647)	-
Claims payments	<u>(46,027)</u>	<u>(61,331)</u>
Unpaid claims, end of fiscal year	<u>\$ 188,814</u>	<u>\$ 127,483</u>

\* IBNR = incurred but not reported estimated claims

**Note 12 - Defined Benefit Pension Plan**

**A. Plan Description**

The Department 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.

**Note 12 - Defined Benefit Pension Plan (continued)**

**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 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. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	Contribution Rates	
	Plan Fiscal Year	
	2019	2018
Member	7.70%	7.70%
Non-Employer Contributing Entity (NECE) - State	6.80%	6.80%
Employers (District)	6.80%	6.80%

**Note 12 - Defined Benefit Pension Plan (continued)**

**D. Contributions (continued)**

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:

	Measurement Year (2018)		Fiscal Year
	Contributions	Pension	(2019)
	Made	Expense	TRS Contributions
District	\$ 801,376	\$ 1,359,383	\$ 867,842
Member (Employee)	3,059,509	-	3,221,960
Non-employer (State) Contributing Entity	1,902,787	3,078,988	1,992,406

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.
- 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.

**Note 12 - Defined Benefit Pension Plan (continued)**

**E. Actuarial Assumptions**

The total pension liability in the August 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	3.69%*
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary increases including inflation	3.05% - 9.05%, including inflation
Ad hoc post-employment benefit changes	None

\* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges 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.

**Note 12 - Defined Benefit Pension Plan (continued)**

**F. Discount Rate (continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation<sup>1</sup></u>	<u>Real Return Geometric Basis<sup>2</sup></u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
<b>Global Equity</b>			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	9.0%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0.0%	0.0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	16%	5.2%	0.7%
Energy and Natural Resources	3%	7.5%	0.4%
Commodities	0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	3.7%	0.2%
Inflation Expectations			2.3%
Volatility Drag <sup>3</sup>			-0.8%
<b>Total</b>	<u>100%</u>		<u>7.3%</u>

<sup>1</sup>Target allocations are based on the FY2016 policy model

<sup>2</sup>Capital market assumptions come from Aon Hewitt (2017 Q4)

<sup>3</sup>The volatility drag results from the conversion between arithmetic and geometric mean returns



**Note 12 - Defined Benefit Pension Plan (continued)**

**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 (6.907%) in measuring the Net Pension Liability.

	<u>1% Decrease in Discount Rate (5.907%)</u>	<u>Decrease Rate (6.907%)</u>	<u>1% Increase in Discount Rate (7.907%)</u>
District's proportionate share of the net pension liability:	\$ 19,761,675	\$ 13,093,794	\$ 7,695,749

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

At August 31, 2019, the Department reported a liability of for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Department. The amount recognized by the Department 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 Department were as follows:

District's proportion of the net pension liability	0.0238%
District's proportionate share of the collective net pension liability	\$ 13,093,794
State's proportionate share that is associated with the District	<u>31,109,264</u>
Total	<u>\$ 44,203,058</u>

The net pension liability was measured as of August 31, 2018, 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, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability decreased to 0.0238% from 0.0243% at August 31, 2017.

**Note 12 - Defined Benefit Pension Plan (continued)**

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

**Changes since the Prior Actuarial Valuation**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$1,359,383. The District also recognized revenue of \$3,078,988 representing pension expense incurred by the State on behalf of the District.

At August 31, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions paid to TRS subsequent to the measurement date	\$ 867,842	\$ -
Net difference between projected and current investment earnings	-	(248,446)
Difference between expected and actual experience	81,616	(321,270)
Changes in assumptions	4,720,943	(147,530)
Changes in proportions	245,263	(662,138)
Total	<u>\$ 5,915,664</u>	<u>\$ (1,379,384)</u>

**Note 12 - Defined Benefit Pension Plan (continued)**

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

The \$867,842 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. 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:

Year Ended August 31:	Pension Expense Amount
2020	\$ 902,061
2021	379,232
2022	277,768
2023	813,364
2024	795,409
2025	500,604
	<u>\$ 3,668,438</u>

**Note 13 - Defined Other Post-Employment Benefit Plans**

**A. Plan Description**

Harris County Department of Education participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**B. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS 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-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

**Note 13 - Defined Other Post-Employment Benefit Plans (continued)**

**C. Benefits Provided (continued)**

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

**TRS-Care Monthly for Retirees**  
 Effective January 1, 2018 - December 31, 2018

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	438	408
Retiree and Family	1,020	999

*\*or surviving spouse*

**D. Contributions**

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates Fiscal Year</u>	
	<u>2019</u>	<u>2018</u>
Member (Employee)	0.65%	0.65%
Non-Employer Contributing Agency (State)	1.25%	1.00%
District	0.75%	0.55%
Federal/Private Funding remitted by Employers	1.25%	1.00%

	<u>Measurement</u>		<u>Fiscal Year</u>
	<u>Year (2018)</u>	<u>OPEB Expense</u>	<u>(2019)</u>
	<u>Contributions Made</u>	<u>OPEB Expense</u>	<u>TRS Contributions</u>
Employer (District) contributions	\$ 445,363	\$ 799,036	\$ 466,951
Member (Employee) contributions	258,270	-	271,984
Non-employer (State) on behalf - contributions	362,617	956,023	375,207

**Note 13 - Defined Other Post-Employment Benefit Plans (continued)**

**D. Contributions (continued)**

In addition to the employer contributions listed above, all TRS employers are subject to an additional surcharge. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the ram. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6million.

**E. Actuarial Assumptions**

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

**Note 13 - Defined Other Post-Employment Benefit Plans (continued)**

**E. Actuarial Assumptions (continued)**

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality Rates of Retirement Rates of Termination	General Inflation Wage Inflation Expected Payroll Growth Rates of Disability Incidence
<p>Valuation date</p> <p>Actuarial Cost method</p> <p>Inflation</p> <p>Discount rate*</p> <p>Aging factors</p> <p>Expenses</p> <p>Payroll growth rate</p> <p>Salary increases</p> <p>Healthcare trend rates</p> <p>Election rates</p> <p>Ad hoc post-employment benefit changes</p>	<p>August 31, 2017, rolled forward to August 31, 2018</p> <p>Individual Entry Age Normal</p> <p>2.30%</p> <p>3.69%</p> <p>Based on plan specific experience Third party administrator expenses related to the delivery of health care benefits are included in the age-adjusted claims costs</p> <p>2.50%</p> <p>3.05% - 9.05%**</p> <p>6.75% to 107.74%***</p> <p>Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65</p> <p>None</p>

\* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of August 31, 2018.

\*\* Includes Inflation at 2.30%

\*\*\* Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the trend rate assumption.

**Note 13 - Defined Other Post-Employment Benefit Plans (continued)**

**F. Discount Rate**

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied

**G. Discount Rate Sensitivity Analysis**

*Discount Rate* - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	<b>Discount Rate</b>		
	1% Decrease (2.69%)	Current Rate (3.69%)	1% Increase (4.69%)
Department's proportionate share of the Net OPEB Liability:	\$ 38,370,449	\$ 32,234,768	\$ 27,381,049

*Healthcare Cost Trend Rates* – The following presents the District’s proportional share of the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

	<b>Healthcare Cost Trend Rate</b>		
	1% Decrease	Current	1% Increase
Department's proportionate share of the Net OPEB Liability:	\$ 26,771,499	\$ 32,234,768	\$ 39,430,010

**Note 13 - Defined Other Post-Employment Benefit Plans (continued)**

**H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At August 31, 2018, the Department reported a liability of \$32,234,768 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Department. The amount recognized by the Department as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Department were as follows:

District's proportion of the net OPEB liability		0.0646%
Department's proportionate share of the collective net OPEB liability	\$	32,234,768
State's proportionate share that is associated with District		<u>26,283,149</u>
Total	\$	<u>58,517,917</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer’s proportion of the Net OPEB Liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective Net OPEB Liability was 0.0646% which was relatively the same proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period.

There was a significant plan change adopted in fiscal year ending August 31, 2017:

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

For the year ended August 31, 2019, the Department recognized OPEB expense of \$799,036 and revenue of \$956,023 for support provided by the State.



**Note 13 - Defined Other Post-Employment Benefit Plans (continued)**

**H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)**

At August 31, 2019, the Department reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 537,911	\$ (9,684,698)
Difference between projected and actual investment earnings	5,637	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	111	(64,180)
Difference between expected and actual	1,710,579	(508,712)
Contributions paid to TRS subsequent to the measurement date	466,951	-
Total	<u>\$ 2,721,189</u>	<u>\$ (10,257,590)</u>

The \$466,951 reported as deferred outflows of resources related to the OPEB liability resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2020.

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31:	OPEB Expense Amount
2020	(1,276,651)
2021	(1,276,651)
2022	(1,276,651)
2023	(1,277,717)
2024	(1,278,327)
2025	(1,617,355)
	<u>\$ (8,003,352)</u>

The Medicare Prescription Drug Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019, 2018, and 2017, the subsidy payments received by the TRS-Care on-behalf of the Department were \$153,891, \$122,114, and \$117,741 respectively. The payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the Department.

**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, 2019.

**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, 2019.

**Note 16 - 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

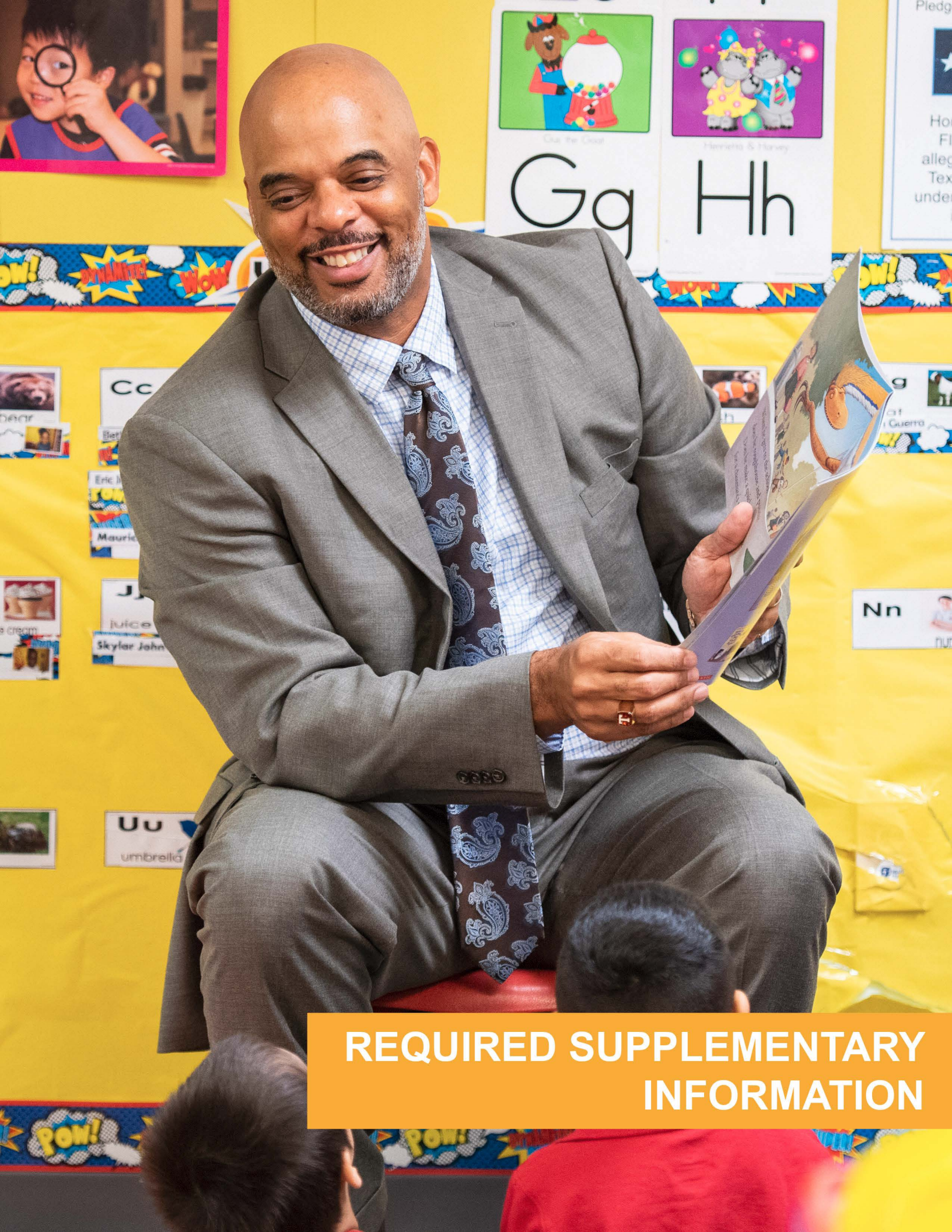
The benefits of this action depend on the good's destination: 1. If imported goods are then exported, no duty is charged. 2. If imported goods are discharged for domestic consumption, a duty is not due until the product leaves the zone. 3. When imported components are processed, blended or used for manufacturing 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.

**Note 16 - Tax Abatements (continued)**

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 2019, inventory within the Foreign Trade Zone totaled \$1.1 billion. The Department received tax equivalency payments of \$54,611 from Exxon Mobil Inc., Magellen Terminals, Kobelco, Houston Refining LLP, Dixie Cullen, Noble Drilling and Toshiba.





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**REQUIRED SUPPLEMENTARY INFORMATION**



**Back of Required Supplementary Information Divider**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES, ORIGINAL BUDGET, AMENDED FINAL (GAAP BASIS)**  
**AND ACTUAL – GENERAL FUND**  
**For the Year Ended August 31, 2019**

*Exhibit C-1*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Local and Intermediate Sources	\$ 45,798,342	\$ 46,805,457	\$ 45,328,028	\$ (1,477,429)
State Programs	3,515,629	3,515,629	3,289,156	(226,473)
Federal Programs	1,550,000	1,550,000	1,817,722	267,722
<b>Total Revenues</b>	<b>50,863,971</b>	<b>51,871,086</b>	<b>50,434,906</b>	<b>(1,436,180)</b>
<b>Expenditures</b>				
<b>Current:</b>				
Adult Education Program	151,184	151,184	163,066	(11,882)
Assistant Superintendents	574,127	574,127	567,780	6,347
Board of Trustees	193,445	295,494	177,757	117,737
Business Support Services	1,894,411	1,977,415	1,726,357	251,058
Center for After-School, Summer & Expanded Learn	648,237	688,466	694,019	(5,553)
Center for Safe & Secure Schools	605,633	606,318	531,902	74,416
Center for Texas Grants Development	599,203	599,203	558,705	40,498
Client Engagement	696,621	696,621	635,546	61,075
Communications	829,855	871,700	823,411	48,289
Department Wide	6,850,643	6,289,003	6,727,446	(438,443)
Digital Education & Innovation	239,730	259,919	223,123	36,796
Education Certification & Professional Advancement	648,292	598,292	577,079	21,213
Facility Support Services	1,194,578	1,271,313	1,025,227	246,086
Head Start Program	5,000	5,000	3,274	1,726
Human Resources	1,085,113	1,128,814	1,044,283	84,531
Purchasing Support Services	552,804	603,763	538,986	64,777
Records Management Services	1,940,133	2,140,133	1,917,340	222,793
Research & Evaluation Institute	634,155	634,155	560,157	73,998
Retirement Leave Benefits	-	216,880	118,233	98,647
Scholastic Arts & Writing Program	142,473	142,473	139,108	3,365
School Based Therapy Services	11,745,178	11,472,106	10,550,740	921,366
Chief of Staff	286,106	286,106	269,039	17,067
Special Schools & Services	12,946,653	13,786,326	12,125,469	1,660,857
Superintendent's Office	516,203	571,371	513,510	57,861
Technology Support Services	4,049,611	4,049,611	3,690,024	359,587
The Teaching & Learning Center	1,436,483	1,770,133	1,307,844	462,289
Principal Certification	1,150	500	-	500
<b>Total Expenditures</b>	<b>50,467,021</b>	<b>51,686,426</b>	<b>47,209,425</b>	<b>4,477,001</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>396,950</b>	<b>184,660</b>	<b>3,225,481</b>	<b>3,040,821</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,079,220	2,079,220	5,805,811	3,726,591
Transfers Out	(6,401,170)	(6,401,170)	(5,829,097)	572,073
<b>Total Other Financing Sources (Uses)</b>	<b>(4,321,950)</b>	<b>(4,321,950)</b>	<b>(23,286)</b>	<b>4,298,664</b>
Net Change in Fund Balances	(3,925,000)	(4,137,290)	3,202,195	7,339,485
<b>Fund Balances-Beginning</b>	<b>29,412,165</b>	<b>29,412,165</b>	<b>29,412,165</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 25,487,165</b>	<b>\$ 25,274,875</b>	<b>\$ 32,614,360</b>	<b>\$ 7,339,485</b>

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 \$1,000,519 primarily due to:

- \$315,000 increase for the Interlocal Contract between the Teaching and Learning Center and Houston ISD professional development series
- \$648,740 increase in service agreements for ABS East and West Schools

Appropriations, including other uses, increased \$1,219,405 primarily due to:

- \$140,000 for Department Wide, Business Services & Purchasing needs
- Increased services for the Teaching & Learning Center in the amount of \$315,000
- Increased services for ABS East and West Schools in the amount of \$648,740



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**

*Exhibit C-3*

**SCHEDULE OF THE DEPARTMENTS PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

**Teacher Retirement System of Texas**  
**Last Five Measurement Years Ended August 31**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Department's proportion of the net pension liability</b>	<b>0.0238%</b>	<b>0.0243%</b>	<b>0.0233%</b>	<b>0.0234%</b>	<b>0.0277%</b>
Department's proportionate share of the net pension liability	\$ 13,093,794	\$ 7,762,844	\$ 8,794,281	\$ 8,260,418	\$ 7,215,493
State's proportionate share of the net pension liability associated with the Department	<u>31,109,264</u>	<u>18,522,260</u>	<u>22,088,591</u>	<u>21,177,189</u>	<u>18,967,699</u>
Total	<u>\$ 44,203,058</u>	<u>\$ 26,285,104</u>	<u>\$ 30,882,872</u>	<u>\$ 29,437,607</u>	<u>\$ 26,183,192</u>
Department's covered payroll (for Measurement Year)	\$ 39,733,893	\$ 38,995,847	\$ 37,264,186	\$ 35,960,896	\$ 36,028,897
Department's proportionate share of the net pension liability as a percentage of its covered payroll	33.0%	19.9%	23.6%	23.0%	20.0%
Plan's fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll	126.11%	75.93%	92.75%	91.94%	73.82%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2014.

Net Pension Liability and related ratios will be presented prospectively as data becomes available.

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**

*Exhibit C-4*

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DEPARTMENT'S PENSION RETIREMENT CONTRIBUTIONS**

**Teachers Retirement System of Texas**

**Last Six Fiscal Years Ended August 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 867,842	\$ 799,557	\$ 794,101	\$ 741,368	\$ 699,042
Contributions in relation to the contractually required contributions	<u>867,842</u>	<u>799,557</u>	<u>794,101</u>	<u>741,368</u>	<u>699,042</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 41,843,651	\$ 39,733,893	\$ 38,995,847	\$ 37,264,186	\$ 35,960,896
Contributions as a percentage of covered payroll	2.07%	2.01%	2.04%	1.99%	1.94%
	<b><u>2014</u></b>				
Contractually required contributions	\$ 685,186				
Contributions in relation to the contractually required contributions	<u>685,186</u>				
Contribution Deficiency (excess)	<u>\$ -</u>				
Department's covered payroll	\$ 36,028,897				
Contributions as a percentage of covered payroll	1.90%				

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2014.

Net Pension Liability and related ratios will be presented prospectively as data becomes available.

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

**Changes of Assumptions**

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

**Changes in Benefit Terms**

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

**Other Information**

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's portion 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.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**

*Exhibit C-6*

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY**

**Teacher Retirement System of Texas**  
**Last Two Measurement Years Ended August 31**

	<u>2018</u>	<u>2017</u>
<b>Department's proportion of the net OPEB liability</b>	<b>0.0646%</b>	<b>0.0647%</b>
Department's proportionate share of the net OPEB liability	\$ 32,234,768	\$ 28,124,225
State's proportionate share of the net OPEB liability associated with the Department	<u>26,283,149</u>	<u>23,468,900</u>
Total	<u>\$ 58,517,917</u>	<u>\$ 51,593,125</u>
Department's covered payroll (for Measurement Year)	\$ 39,733,893	\$ 38,995,847
Department's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.1%	72.1%
Plan's fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	146.64%	132.55%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

Net OPEB liability and related ratios will be presented prospectively as data becomes available.

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DEPARTMENT'S OPEB CONTRITBUTIONS**

*Exhibit C-7*

**Teachers Retirement System of Texas**  
**Last Six Fiscal Years Ended August 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 466,951	\$ 445,167	\$ 339,056	\$ 328,635	\$ 311,879
Contributions in relation to the contractually required contributions	<u>466,951</u>	<u>445,167</u>	<u>339,056</u>	<u>328,635</u>	<u>311,879</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 41,843,651	\$ 39,733,893	\$ 38,995,847	\$ 37,264,186	\$ 35,960,896
Contributions as a percentage of covered payroll	1.12%	1.12%	0.87%	0.88%	0.87%
	<u>2014</u>				
Contractually required contributions	\$ 307,431				
Contributions in relation to the contractually required contributions	<u>307,431</u>				
Contribution Deficiency (excess)	<u>\$ -</u>				
Department's covered payroll	\$ 36,028,897				
Contributions as a percentage of covered payroll	0.85%				

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.  
Net OPEB liability and related ratios will be presented prospectively as data becomes available.  
The amounts presented for each Plan year which ends the preceding August 31 of the Department's fiscal year.

### **Changes of Assumptions**

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

### **Changes in Benefit Terms**

Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums



**COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES**

**Back of Combining and Individual Fund Statements and Schedules Divider**



## HARRIS COUNTY DEPARTMENT OF EDUCATION NONMAJOR GOVERNMENTAL FUNDS OVERVIEW

### *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 (English Literacy and Civics Ed-Federal)
- Local Education Foundation of Harris County (EFHC)
- Temporary Assistance for Needy Families-Federal (TANF Grant)

### 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 – Child Care Partnership
- 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 (continued)

Education Certification & Professional Advancement – Accounts for an administrative services subaward agreement with Ohio State University. The purpose of this project is to operate a nontraditional teacher preparation program accredited by the Texas Education Agency designed to increase the number of teachers with EL/bilingual certification and supplement EL coursework.

***DEBT SERVICE FUND***

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**August 31, 1029**

*Exhibit D-1*  
*Page 1 of 4*

**Special Revenue Funds**

	<b>Head Start - Training and Tech Assist</b>	<b>Transition to Teaching</b>	<b>Stop School Violence Grant</b>	<b>Early Head Start Operations</b>	<b>Early Head Start/Child Care Partnership</b>	<b>NSA GenCyber Grant</b>
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	46,801	-	10,638	268,337	10,664	21,257
Prepaid Items				9,415		
<b>Total Assets</b>	<b>\$ 46,801</b>	<b>\$ -</b>	<b>\$ 10,638</b>	<b>\$ 277,752</b>	<b>\$ 10,664</b>	<b>\$ 21,257</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 13,336	\$ -	\$ 197	\$ 112,100	\$ 5,732	\$ -
Accrued wages payable	-	-	-	1,590	-	-
Due to other governments	-	-	-	20,594	-	-
Due to other funds	33,465	-	10,441	143,468	4,932	21,257
Unearned Revenues	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>46,801</b>	<b>-</b>	<b>10,638</b>	<b>277,752</b>	<b>10,664</b>	<b>21,257</b>
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**August 31, 1029**

*Exhibit D-1*  
*Page 2 of 4*

**Special Revenue Funds**

	<b>AEL Distance Learning Capacity Building Initiative</b>	<b>Federal TANF Grant</b>	<b>Federal Adult Ed Regular Grant</b>	<b>Adult Ed English Literacy/Civics</b>	<b>21st Century Cycle 9</b>	<b>21st Century Cycle 10</b>
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 9,788	\$ -	\$ -	\$ -	\$ -
Due from other governments	24,067	-	296,252	262,012	482,201	375,328
Prepaid Items						
<b>Total Assets</b>	<b>\$ 24,067</b>	<b>\$ 9,788</b>	<b>\$ 296,252</b>	<b>\$ 262,012</b>	<b>\$ 482,201</b>	<b>\$ 375,328</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 956	\$ -	\$ 30,696	\$ 20,727	\$ 170,874	\$ 136,195
Accrued wages payable	2,683	-	44,747	6,229	-	-
Due to other governments	-	9,788	-	-	-	-
Due to other funds	20,428	-	220,809	235,056	311,327	239,133
Unearned Revenues	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>24,067</b>	<b>9,788</b>	<b>296,252</b>	<b>262,012</b>	<b>482,201</b>	<b>375,328</b>
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**August 31, 1029**

*Exhibit D-1*  
*Page 3 of 4*

Special Revenue Funds

	<u>Texas Council Dev. Disability</u>	<u>Federal After- School Partnership</u>	<u>Houston Endowment</u>	<u>City of Houston Grant</u>	<u>Early Head Start In-Kind</u>	<u>Head Start In- Kind</u>
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 673,740	\$ 14	\$ -	\$ 659	\$ 45,895
Due from other governments	-	-	-	108,132	-	-
Prepaid Items						
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 673,740</u>	<u>\$ 14</u>	<u>\$ 108,132</u>	<u>\$ 659</u>	<u>\$ 45,895</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 375,428	\$ -	\$ -	\$ -	\$ 1,431
Accrued wages payable	-	639	-	-	-	-
Due to other governments	-	23,847	-	-	-	-
Due to other funds	-	-	-	108,132	-	-
Unearned Revenues	-	273,826	14	-	659	44,464
<b>Total Liabilities</b>	<u>-</u>	<u>673,740</u>	<u>14</u>	<u>108,132</u>	<u>659</u>	<u>45,895</u>
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**August 31, 1029**

*Exhibit D-1*  
*Page 4 of 4*

Special Revenue Funds

	<u>Stop School Violence - In- kind</u>	<u>Hogg Found</u>	<u>Misc Local Grants</u>	<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds (See Exhibit B-1)</u>
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 1,567	\$ 39,511	\$ 771,174	\$ -	\$ 771,174
Due from other governments	-	-	18,059	1,923,748	-	1,923,748
Prepaid Items				9,415		9,415
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 1,567</u>	<u>\$ 57,570</u>	<u>\$ 2,704,337</u>	<u>\$ -</u>	<u>\$ 2,704,337</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 1,567	\$ 2,878	\$ 872,117	\$ -	\$ 872,117
Accrued wages payable	-	-	-	55,888	-	55,888
Due to other governments	-	-	-	54,229	-	54,229
Due to other funds	-	-	-	1,348,448	-	1,348,448
Unearned Revenues			54,692	373,655	-	373,655
<b>Total Liabilities</b>	<u>-</u>	<u>1,567</u>	<u>57,570</u>	<u>2,704,337</u>	<u>-</u>	<u>\$ 2,704,337</u>
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2019**

	Special Revenue Funds					
	Head Start - Training and Tech Assist	Transition to Teaching	Stop School Violence Grant	Early Head Start Operations	Early Head Start/Child Care Partnership	NSA GenCyber Grant
<b>Revenues</b>						
Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Programs	148,004	11,500	69,784	2,114,026	49,071	21,257
<b>Total Revenues</b>	<u>148,004</u>	<u>11,500</u>	<u>69,784</u>	<u>2,114,026</u>	<u>49,071</u>	<u>21,257</u>
<b>Expenditures</b>						
Current:						
Adult Education Program	-	-	-	-	-	-
Center for After-School, Summer & Expanded Learning	-	-	-	-	-	-
Center for Safe & Secure Schools	-	-	69,784	-	-	-
Digital Education & Innovation	-	-	-	-	-	21,257
Education Certification & Professional Advancement	-	11,500	-	-	-	-
Head Start Program	148,004	-	-	2,114,026	49,071	-
Special Schools & Services	-	-	-	-	-	-
The Teaching & Learning Center	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal on Long-Term Debt	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>148,004</u>	<u>11,500</u>	<u>69,784</u>	<u>2,114,026</u>	<u>49,071</u>	<u>21,257</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-	-
<b>Fund Balances-Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances-Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2019**

*Exhibit D-2*  
*Page 2 of 4*

	<b>Special Revenue Funds</b>					
	<b>Learning Capacity Building Initiative</b>	<b>Federal TANF Grant</b>	<b>Federal Adult Ed Regular Grant</b>	<b>Adult Ed English Literacy/Civics</b>	<b>21st Century Cycle 9</b>	<b>21st Century Cycle 10</b>
<b>Revenues</b>						
Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Programs	75,145	3,585	3,518,211	482,666	1,546,630	1,450,551
<b>Total Revenues</b>	<b>75,145</b>	<b>3,585</b>	<b>3,518,211</b>	<b>482,666</b>	<b>1,546,630</b>	<b>1,450,551</b>
<b>Expenditures</b>						
Current:						
Adult Education Program	75,145	3,585	3,518,211	482,666	-	-
Center for After-School, Summer & Expanded Learni	-	-	-	-	1,546,630	1,450,551
Center for Safe & Secure Schools	-	-	-	-	-	-
Digital Education & Innovation	-	-	-	-	-	-
Education Certification & Professional Advancement	-	-	-	-	-	-
Head Start Program	-	-	-	-	-	-
Special Schools & Services	-	-	-	-	-	-
The Teaching & Learning Center	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal on Long-Term Debt	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>75,145</b>	<b>3,585</b>	<b>3,518,211</b>	<b>482,666</b>	<b>1,546,630</b>	<b>1,450,551</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	-	-	-	-	-	-
<b>Fund Balances-Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2019**

	<b>Special Revenue Funds</b>					
	<b>Texas Council Dev. Disability</b>	<b>Federal After- School Partnership</b>	<b>Houston Endowment</b>	<b>City of Houston Grant</b>	<b>Early Head Start In-Kind</b>	<b>Head Start In- Kind</b>
<b>Revenues</b>						
Local and Intermediate Sources	\$ -	\$ -	\$ 98,985	\$ 744,204	\$ 144,355	\$ 4,236,450
Federal Programs	7,500	1,847,491	-	-	-	-
<b>Total Revenues</b>	<u>7,500</u>	<u>1,847,491</u>	<u>98,985</u>	<u>744,204</u>	<u>144,355</u>	<u>4,236,450</u>
<b>Expenditures</b>						
Current:						
Adult Education Program	-	-	-	-	-	-
Center for After-School, Summer & Expanded Learning	-	2,398,278	98,985	744,204	-	-
Center for Safe & Secure Schools	-	-	-	-	-	-
Digital Education & Innovation	-	-	-	-	-	-
Education Certification & Professional Advancement	-	-	-	-	-	-
Head Start Program	-	-	-	-	144,355	4,236,450
Special Schools & Services	7,500	-	-	-	-	-
The Teaching & Learning Center	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal on Long-Term Debt	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>7,500</u>	<u>2,398,278</u>	<u>98,985</u>	<u>744,204</u>	<u>144,355</u>	<u>4,236,450</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(550,787)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	550,787	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>550,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-	-
<b>Fund Balances-Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances-Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2019**

*Exhibit D-2*  
*Page 4 of 4*

	<u>Special Revenue Funds</u>					Nonmajor Governmental Funds (See Exhibit B-1)
	Stop School Violence - In- kind	Hogg Found	Misc Local Grants	Total Special Revenue Funds	Debt Service Fund	
<b>Revenues</b>						
Local and Intermediate Sources	\$ 16,175	\$ 5,108	\$ 42,974	\$ 5,288,251	\$ -	\$ 5,288,251
Federal Programs	-	-	-	11,345,421	-	11,345,421
<b>Total Revenues</b>	<u>16,175</u>	<u>5,108</u>	<u>42,974</u>	<u>16,633,672</u>	<u>-</u>	<u>16,633,672</u>
<b>Expenditures</b>						
Current:						
Adult Education Program	-	-	-	4,079,607	-	4,079,607
Center for After-School, Summer & Expanded Learning	-	-	-	6,238,648	-	6,238,648
Center for Safe & Secure Schools	16,175	-	-	85,959	-	85,959
Digital Education & Innovation	-	-	-	21,257	-	21,257
Education Certification & Professional Advancement	-	-	-	11,500	-	11,500
Head Start Program	-	5,108	21,647	6,718,661	-	6,718,661
Special Schools & Services	-	-	4,461	11,961	-	11,961
The Teaching & Learning Center	-	-	16,866	16,866	-	16,866
<b>Debt Service:</b>						
Principal on Long-Term Debt	-	-	-	-	2,886,429	2,886,429
Interest on Long-Term Debt	-	-	-	-	263,067	263,067
<b>Total Expenditures</b>	<u>16,175</u>	<u>5,108</u>	<u>42,974</u>	<u>17,184,459</u>	<u>3,149,496</u>	<u>20,333,955</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(550,787)</u>	<u>(3,149,496)</u>	<u>(3,700,283)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	-	550,787	3,149,496	3,700,283
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,787</u>	<u>3,149,496</u>	<u>3,700,283</u>
Net Change in Fund Balances	-	-	-	-	-	-
<b>Fund Balances-Beginning</b>	-	-	-	-	-	-
<b>Fund Balances-Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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 SERVICES FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

*Exhibit D-3*

	<b>Workers' Compensation Fund</b>	<b>Facility Charges Fund</b>	<b>Total Internal Service Funds (see Exhibit B-5)</b>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,173,663	\$ 263,835	\$ 1,437,498
Due from other funds	20,698	-	20,698
Prepaid items	394,944	-	394,944
<b>Total Assets</b>	<u>1,589,305</u>	<u>263,835</u>	<u>1,853,140</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	-	254,366	254,366
Accrued wages payable	-	9,469	9,469
Due to other funds	-	-	-
Claims payable - due within one year	127,483	-	127,483
<b>Total Liabilities</b>	<u>127,483</u>	<u>263,835</u>	<u>391,318</u>
<b>Net Position</b>			
Unrestricted	<u>1,461,822</u>	<u>-</u>	<u>1,461,822</u>
<b>Total Net Position</b>	<u>\$ 1,461,822</u>	<u>\$ -</u>	<u>\$ 1,461,822</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, 2019**

*Exhibit D-4*

	<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>Fund</b>	<b>Fund</b>	<b>Exhibit B-6)</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 252,081	\$ 5,106,154	\$ 5,358,235
<b>Total Operating Revenues</b>	<u>252,081</u>	<u>5,106,154</u>	<u>5,358,235</u>
<b>Operating Expenses</b>			
Payroll Costs	-	2,464,962	2,464,962
Professional Services	-	1,696,516	1,696,516
Supplies and Materials	-	441,047	441,047
Miscellaneous Operating Expenses	242,666	503,629	746,295
<b>Total Operating Expenses</b>	<u>242,666</u>	<u>5,106,154</u>	<u>5,348,820</u>
Change in Net Position	9,415	-	9,415
<b>Total Net Position-Beginning</b>	<u>1,452,407</u>	<u>-</u>	<u>1,452,407</u>
<b>Total Net Position-Ending</b>	<u>\$ 1,461,822</u>	<u>\$ -</u>	<u>\$ 1,461,822</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2019**

*Exhibit D-5*

	<b>Workers' Compensation Fund</b>	<b>Facility Charges Fund</b>	<b>Total Internal Service Funds (see Exhibit B-7)</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services provided	\$ 231,383	\$ 5,106,154	\$ 5,337,537
Payments to employees	-	(2,466,006)	(2,466,006)
Payments to suppliers	-	(2,516,897)	(2,516,897)
Payments for workers' compensation claims	(410,953)	-	(410,953)
<b>Net cash provided by (used in) operating activities</b>	<u>(179,570)</u>	<u>123,251</u>	<u>(56,319)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(179,570)	123,251	(56,319)
<b>Cash and cash equivalents at beginning of year</b>	<u>1,353,233</u>	<u>140,584</u>	<u>\$ 1,493,817</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,173,663</u>	<u>\$ 263,835</u>	<u>\$ 1,437,498</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 9,415	\$ -	\$ 9,415
<b>Changes in Assets and Liabilities:</b>			
Decrease (increase) in prepaid items	(106,956)	-	(106,956)
Increase (decrease) in accounts payable	-	124,295	124,295
Increase (decrease) in accrued wages payable	-	(1,044)	(1,044)
Increase (decrease) in due to/from other funds	(20,698)	-	(20,698)
Increase (decrease) in claims payable	(61,331)	-	(61,331)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (179,570)</u>	<u>\$ 123,251</u>	<u>\$ (56,319)</u>



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

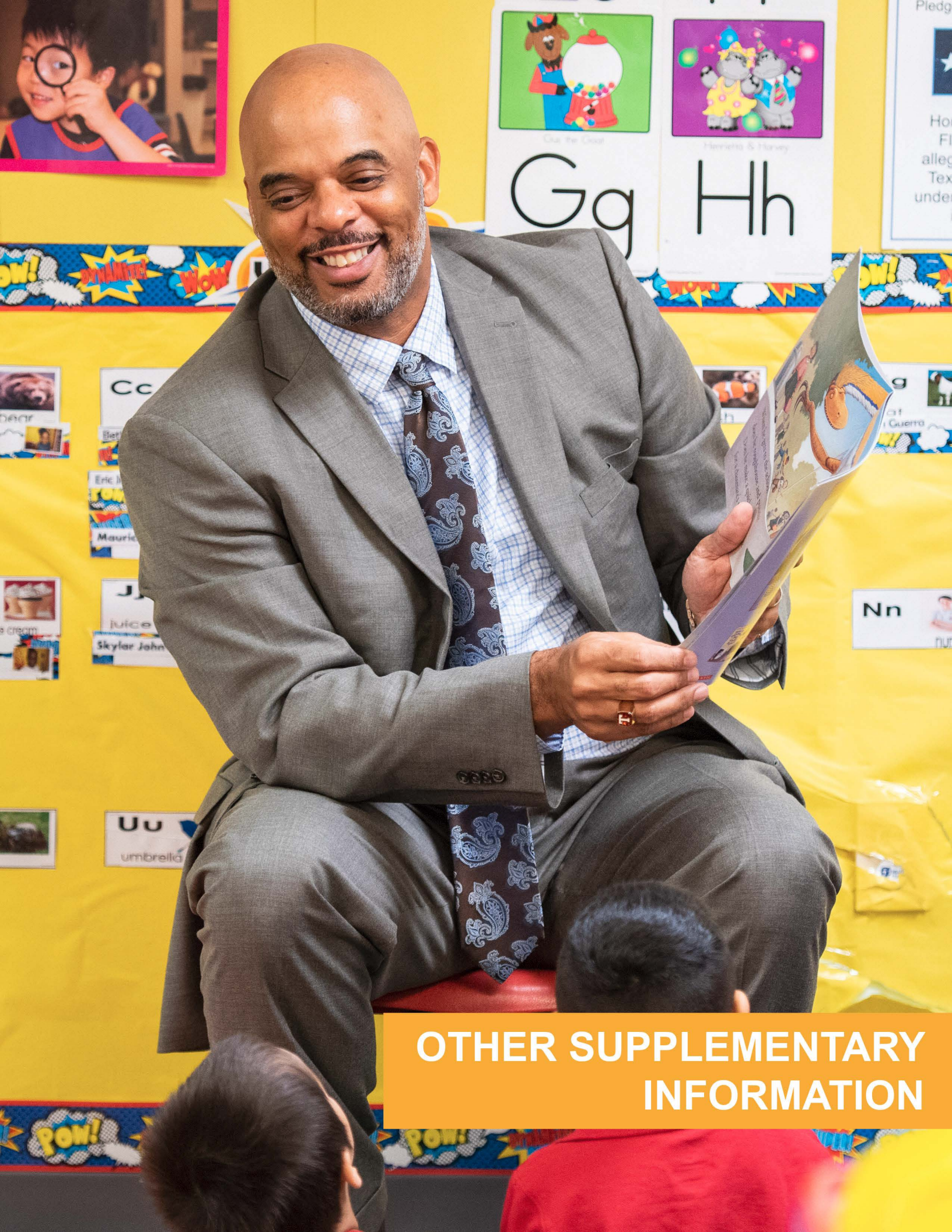
*AGENCY FUNDS*

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**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended August 31, 2019**

*Exhibit D-6*

	<u>Balance August 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2019 (see Exhibit B-8)</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 41,271	\$ 3,123	\$ -	\$ 44,394
<b>Total Assets</b>	<u>\$ 41,271</u>	<u>\$ 3,123</u>	<u>\$ -</u>	<u>\$ 44,394</u>
<b>Liabilities</b>				
Accounts payable	\$ 41,271	\$ -	\$ (17,469)	\$ 23,802
Due to student groups	<u>-</u>	<u>20,592</u>	<u>-</u>	<u>20,592</u>
<b>Total Liabilities</b>	<u>\$ 41,271</u>	<u>\$ 20,592</u>	<u>\$ (17,469)</u>	<u>\$ 44,394</u>



**OTHER SUPPLEMENTARY  
INFORMATION**

**Back of Other Supplementary Information Divider**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**For the Year Ended August 31, 2019**

*Exhibit E-1*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Debt Service:				
Principal on Long-Term Debt	\$ 2,886,429	\$ 2,886,429	\$ 2,886,429	\$ -
Interest on Long-Term Debt	263,068	263,067	263,067	-
<b>Total Expenditures</b>	<u>3,149,497</u>	<u>3,149,496</u>	<u>3,149,496</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(3,149,497)</u>	<u>(3,149,496)</u>	<u>(3,149,496)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,149,497	3,149,496	3,149,496	-
<b>Total Other Financing Sources (Uses)</b>	<u>3,149,497</u>	<u>3,149,496</u>	<u>3,149,496</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances-Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances-Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
*For the Year Ended August 31, 2019*

**Exhibit E-2**

<b>Year Ended</b> <b>August 31</b>	<b>Tax Rate</b>		<b>Assessed</b> <b>Value</b>	<b>Beginning</b> <b>Balance</b>	<b>Current</b> <b>Year Levy</b>	<b>Collections &amp;</b> <b>Adjustments</b>	<b>Ending</b> <b>Balance</b>
	<b>Maintenanc</b>	<b>Debt</b>					
2010 & Prior	Various	-	Various	\$ 137,362	\$ -	\$ 10,431	\$ 126,931
2011	0.006581	-	271,838,192,122	37,299	-	2,579	34,720
2012	0.006581	-	275,667,298,681	38,376	-	3,516	34,860
2013	0.006617	-	289,669,533,021	40,780	-	5,916	34,864
2014	0.006358	-	315,575,070,777	43,138	-	10,953	32,185
2015	0.005999	-	348,957,092,849	61,309	-	10,705	50,604
2016	0.005422	-	388,054,684,618	80,982	-	25,122	55,860
2017	0.005200	-	416,884,796,154	110,783	-	(31,854)	142,637
2018	0.005195	-	434,078,173,795	293,541	-	(72,353)	365,894
2019	0.005190	-	445,338,264,373	-	23,187,623	22,764,706	340,327
<b>Totals</b>				<b>\$ 843,570</b>	<b>\$ 23,187,623</b>	<b>\$ 22,729,721</b>	<b>\$ 1,218,882</b>

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



**Back of Statistical Section Divider**



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

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**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**

Education  
Foundation  
of the City of  
San Jose

## **Back of Financial Trends Divider**

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 1*  
*Page 1 of 2*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Governmental Activities:</b>					
Net investment in					
capital assets	\$ 47,908,866	\$ 43,712,723	\$ 32,428,990	\$ 32,428,990	\$34,145,710
Restricted	-	-	-	-	31,983
Unrestricted	(18,737,419)	(20,722,390)	26,188,720	26,188,720	20,804,496
<b>Total Governmental Activities</b>	<u>\$ 29,171,447</u>	<u>\$ 22,990,333</u>	<u>\$ 58,617,710</u>	<u>\$ 58,617,710</u>	<u>\$ 54,982,189</u>
<b>Business-Type Activities:</b>					
Unrestricted	\$ 1,000,000	\$ 500,000	\$ -	\$ -	\$ -
<b>Total Business-Type Activities</b>	<u>\$ 1,000,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total:</b>					
Net investment in					
capital assets	\$ 47,908,866	\$ 43,712,723	\$ 32,428,990	\$ 32,428,990	\$34,145,710
Restricted	-	-	-	-	31,983
Unrestricted	(17,737,419)	(20,222,390)	26,188,720	26,188,720	20,804,496
<b>Total Net Position</b>	<u>\$ 30,171,447</u>	<u>\$ 23,490,333</u>	<u>\$ 58,617,710</u>	<u>\$ 58,617,710</u>	<u>\$ 54,982,189</u>

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 1*  
*Page 2 of 2*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Governmental Activities:</b>					
Net investment in capital assets	\$32,677,342	\$29,291,742	\$28,309,727	\$26,859,324	\$ 25,004,772
Restricted	31,881	1,028,015	1,138,752	1,476,805	2,267,449
Unrestricted	17,622,666	24,172,444	22,243,309	18,647,502	15,957,786
<b>Total Governmental Activities</b>	<u>\$ 50,331,889</u>	<u>\$ 54,492,201</u>	<u>\$ 51,691,788</u>	<u>\$ 46,983,631</u>	<u>\$ 43,230,007</u>
<b>Business-Type Activities:</b>					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Business-Type Activities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total:</b>					
Net investment in capital assets	\$32,677,342	\$29,291,742	\$28,309,727	\$26,859,324	\$ 25,004,772
Restricted	31,881	1,028,015	1,138,752	1,476,805	2,267,449
Unrestricted	17,622,666	24,172,444	22,243,309	18,647,502	15,957,786
<b>Total Net Position</b>	<u>\$ 50,331,889</u>	<u>\$ 54,492,201</u>	<u>\$ 51,691,788</u>	<u>\$ 46,983,631</u>	<u>\$ 43,230,007</u>

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN YEARS**  
*(Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 2*  
*Page 1 of 4*

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Expenses:</b>					
Governmental Activities:					
Adult Education Program	\$ 4,569,273	\$ 3,873,917	\$ 3,873,917	\$ 4,050,032	\$ 3,895,904
Assistant Superintendents' Offices	576,780	539,630	539,630	537,885	517,072
Board of Trustees	177,757	138,256	138,256	131,506	205,134
Business Support Services	1,745,357	1,720,319	1,720,319	1,790,657	1,674,204
Center for After-School, Summer & Expanded Learning	7,090,805	7,289,977	7,289,977	7,315,643	8,468,498
Center for Safe and Secure Schools	1,050,107	655,108	655,108	491,085	623,098
Center for School Governance & Fiscal Accountability	-	-	-	-	70,430
Center for Texas Grant Development	567,705	555,688	555,688	544,990	519,875
Choice Partners Cooperatives	-	-	-	-	1,727,275
Client Engagement	644,546	374,313	374,313	451,521	456,323
Communications	837,090	858,041	858,041	884,274	709,750
Department Wide	6,717,410	7,089,535	7,089,535	6,808,688	5,421,099
Digital Learning	271,230	1,391,612	1,391,612	368,131	1,450,677
Early Childhood Intervention	-	-	-	-	2,112,772
Education Certification & Professional Advancement	597,579	678,461	678,461	630,272	506,930
Education Foundation	-	9,559	9,559	199,417	200,398
Facility Support Services	1,038,146	1,112,896	1,112,896	772,981	981,239
Head Start Program	20,782,352	17,304,932	17,304,932	16,103,236	15,401,901
Human Resources	1,053,283	994,097	994,097	943,149	945,021
Interest and Fees on Long-Term Debt	274,948	602,708	602,708	310,720	480,219
PFC Capital Projects	-	-	-	-	-
Preschool Initiative	-	-	-	-	-
Principal Certification	-	-	-	-	-
Purchasing Support Services	566,986	494,804	494,804	477,229	402,651
Quality Zone Academy Bonds	-	-	-	6,281	-
Records Management Services	2,005,229	1,627,074	1,627,074	1,656,361	1,777,447
Research and Evaluation Institute	569,157	579,394	579,394	515,936	460,493
Retirement Leave Benefits	118,233	358,964	358,964	322,795	288,606
Scholastic Arts and Writing Program	139,108	101,618	101,618	102,702	88,126
School Based Therapy Services	10,709,672	9,790,720	9,790,720	9,375,763	8,686,191
Chief of Staff	268,564	291,630	291,630	189,323	130,936
Special Schools & Services	12,743,363	11,091,019	11,091,019	10,865,891	11,270,451
Superintendent's Office	523,018	448,785	448,785	385,255	432,322
Technology Support Services	4,098,566	3,446,066	3,446,066	5,052,094	4,115,775
Texas LEARNS	-	-	-	-	-
The Teaching & Learning Center	1,351,221	1,240,775	1,240,775	1,068,452	1,185,444
<b>Total Governmental Activities Expenses</b>	<b>81,087,485</b>	<b>74,659,898</b>	<b>74,659,898</b>	<b>72,352,269</b>	<b>75,206,261</b>
Business-Type Activities:					
Choice Partners Cooperatives	2,083,863	1,783,195	1,783,195	1,879,446	-
Transfer out	5,805,811	2,588,083	2,588,083	2,547,458	-
<b>Total Business-Type Activities Expenses</b>	<b>7,889,674</b>	<b>4,371,278</b>	<b>4,371,278</b>	<b>4,426,904</b>	<b>-</b>
<b>Total Expenses</b>	<b>\$ 88,977,159</b>	<b>\$ 79,031,176</b>	<b>\$ 79,031,176</b>	<b>\$ 76,779,173</b>	<b>\$ 75,206,261</b>

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN YEARS**  
*(Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 2*  
*Page 2 of 4*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Expenses:</b>					
Governmental Activities:					
Adult Education Program	\$ 4,187,795	\$ 4,651,034	\$ 4,509,212	\$ 4,557,894	\$ 5,144,526
Assistant Superintendents' Offices	465,054	457,916	448,143	454,962	453,806
Board of Trustees	194,415	157,546	108,958	139,736	120,431
Business Support Services	1,652,498	1,600,940	1,534,745	1,574,090	1,628,888
Center for After-School, Summer & Expanded Learning	6,932,436	8,165,637	8,771,440	7,987,851	8,844,959
Center for Safe and Secure Schools	758,633	418,556	366,018	623,773	565,790
Center for School Governance & Fiscal Accountability	129,537	177,036	180,569	182,788	184,637
Center for Texas Grant Development	503,314	548,899	556,711	583,140	545,536
Choice Partners Cooperatives	1,596,110	1,579,708	1,376,087	1,146,389	1,072,172
Client Engagement	410,006	403,880	403,621		
Communications	652,250	651,610	510,174	931,203	675,051
Department Wide	5,380,665	5,350,114	5,509,879	6,012,835	5,924,982
Digital Learning	1,668,330	1,997,071	2,654,232	2,273,670	1,446,346
Early Childhood Intervention	4,871,933	5,132,950	5,868,623	-	-
Education Certification & Professional Advancement	510,939	301,540	220,146	86,709	102,752
Education Foundation	200,535	199,404	201,501	150,799	165,117
Facility Support Services	767,703	1,282,812	146,827	1,543,377	1,060,337
Head Start Program	13,758,980	14,224,031	15,012,643	17,381,287	15,995,602
Human Resources	922,955	871,057	879,957	934,406	907,475
Interest and Fees on Long-Term Debt	799,380	787,589	902,724	952,271	1,041,009
PFC Capital Projects	-	26,845	-	-	-
Preschool Initiative	36,600	-	-	-	-
Principal Certification	-	-	-	96,667	68,664
Purchasing Support Services	427,478	394,331	356,325	793,005	865,714
Quality Zone Academy Bonds	-	311,727	42,866	121,333	383,114
Records Management Services	1,685,191	1,665,781	1,435,224	928,451	1,455,746
Research and Evaluation Institute	492,210	466,180	460,471	441,428	424,036
Retirement Leave Benefits	410,154	219,305	224,144	261,983	65,515
Scholastic Arts and Writing Program	72,185	71,667	60,614	78,247	76,865
School Based Therapy Services	7,932,355	7,702,266	7,327,653	15,837,809	16,359,289
Chief of Staff	-	6,253	64,479	76,259	77,220
Special Schools & Services	11,018,200	10,086,230	10,245,287	10,619,419	10,390,655
Superintendent's Office	504,922	369,316	352,778	353,268	341,542
Technology Support Services	3,961,667	3,737,958	3,373,381	3,219,235	2,732,852
Texas LEARNS	421,089	6,853,142	1,854,304	1,960,269	1,889,908
The Teaching & Learning Center	1,221,872	961,954	1,008,144	979,491	959,287
<b>Total Governmental Activities Expenses</b>	<u>74,547,391</u>	<u>81,832,285</u>	<u>76,967,880</u>	<u>83,284,044</u>	<u>81,969,823</u>
Business-Type Activities:					
Choice Partners Cooperatives	-	-	-	-	-
Transfer out	-	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenses</b>	<u>\$ 74,547,391</u>	<u>\$ 81,832,285</u>	<u>\$ 76,967,880</u>	<u>\$ 83,284,044</u>	<u>\$ 81,969,823</u>



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN YEARS**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

*Table 2*  
*Page 3 of 4*

	2019	2018	2017	2016	2015
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for services:</b>					
Assistant Superintendents' Offices	\$ -	\$ -	\$ -	\$ -	\$ -
Business Support Services	55,098	58,597	58,597	284,473	169,052
Center for After-School, Summer & Expanded Learning	94,748	9,506	9,506	11,800	29,015
Center for Safe and Secure Schools	229,396	502,661	502,661	117,350	120,735
Center for School Governance & Fiscal Accountability	-	-	-	-	-
Center for Texas Grant Development	2,495	840	840	2,275	2,495
Choice Facility Partners (1)	-	-	-	-	3,201,052
Client Engagement	-	-	-	-	1,400
Communications	-	-	-	-	-
Department Wide	43,979	20,215	20,215	12,963	13,824
Digital Learning	12,085	41,745	41,745	61,015	83,160
Early Childhood Intervention	-	-	-	-	108,208
Education Certification & Professional Advancement	204,520	206,289	206,289	252,270	255,109
Head Start Program	20	-	-	-	-
Human Resources	-	-	-	-	-
Principal Certification	-	-	-	-	-
Purchasing Cooperatives (1)	-	-	-	-	-
Purchasing Support Services	-	-	-	5,559	3,563
Records Management Services	1,687,681	1,563,165	1,563,165	1,569,386	1,558,589
Research and Evaluation Institute	80,786	2,002	2,002	48,644	39,823
Scholastic Arts and Writing Program	-	-	-	40,449	26,155
School Based Therapy Services	8,981,971	8,552,308	8,552,308	8,633,429	8,151,129
Special Assistant to Superintendent	-	-	-	-	-
Special Schools & Services	8,880,541	8,433,065	8,433,065	7,439,987	7,849,458
Technology Support Services	1,200	17,440	17,440	61,296	227,846
The Teaching & Learning Center	1,236,917	734,437	734,437	773,405	945,650
<b>Total Charges for Services</b>	<b>21,511,437</b>	<b>20,142,270</b>	<b>20,142,270</b>	<b>19,314,301</b>	<b>22,786,263</b>
<b>Operating grants and contributions</b>	<b>26,730,731</b>	<b>23,509,189</b>	<b>23,509,189</b>	<b>23,307,323</b>	<b>25,840,048</b>
<b>General Revenues</b>					
Property taxes, levied for general purposes	23,040,994	21,723,798	21,723,798	21,059,842	21,041,087
Grants and contributions not restricted to specific program	3,901,877	4,804,746	4,804,746	5,560,503	5,077,413
Investment earnings	993,098	170,480	170,480	60,751	13,331
Miscellaneous income	5,284,651	5,356,853	5,356,853	5,152,391	4,462,989
Transfers	5,805,811	2,588,083	2,588,083	2,547,458	-
<b>Total Governmental Activities Revenues</b>	<b>87,268,599</b>	<b>78,295,419</b>	<b>78,295,419</b>	<b>77,002,569</b>	<b>79,221,131</b>
<b>Business-Type Activities:</b>					
<b>Charges for services:</b>					
Choice Partners Cooperative	8,389,674	4,371,278	4,371,278	4,426,904	-
<b>Total Revenues-Business Type Activities</b>	<b>8,389,674</b>	<b>4,371,278</b>	<b>4,371,278</b>	<b>4,426,904</b>	<b>-</b>
<b>Total Revenues</b>	<b>95,658,273</b>	<b>82,666,697</b>	<b>82,666,697</b>	<b>81,429,473</b>	<b>79,221,131</b>
<b>Change in Net Position</b>					
<b>Total Primary Government</b>	<b>\$ 6,681,114</b>	<b>\$ 3,635,521</b>	<b>\$ 3,635,521</b>	<b>\$ 4,650,300</b>	<b>\$ 4,014,870</b>

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

Source: HCDE records

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN YEARS**  
*(Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 2*  
*Page 4 of 4*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Program Revenues:</b>					
<b>Governmental Activities:</b>					
<b>Charges for services:</b>					
Assistant Superintendents' Offices	\$ -	\$ -	\$ -	\$ -	\$ 1,250
Business Support Services	285,093	308,464	74,005	18,707	2,621
Center for After-School, Summer & Expanded Learning	27,142	16,884	24,114	87,896	38,422
Center for Safe and Secure Schools	436,410	141,767	195,085	487,011	266,967
Center for School Governance & Fiscal Accountability	29,805	-	11,800	33,152	39,900
Center for Texas Grant Development	2,800	32,537	98,171	86,672	51,772
Choice Facility Partners (1)	2,896,693	3,242,503	3,066,053	2,104,297	1,493,465
Client Engagement	-	2,800	-	-	-
Communications	-	-	4,187	19,900	5,410
Department Wide	13,003	11,284	33,682	173,005	39,165
Digital Learning	90,200	69,568	63,070	122,523	238,203
Early Childhood Intervention	324,614	324,614	327,536	-	-
Education Certification & Professional Advancement	196,902	115,317	148,409	145,511	82,984
Head Start Program	-	-	-	70	-
Human Resources	1,795	2,800	-	800	800
Principal Certification	-	-	-	-	188,610
Purchasing Cooperatives (1)	-	-	-	1,537,632	1,519,170
Purchasing Support Services	-	-	61,677	-	-
Records Management Services	1,435,793	1,382,845	1,361,825	1,265,210	1,179,488
Research and Evaluation Institute	60,451	55,150	64,349	66,029	76,830
Scholastic Arts and Writing Program	19,135	15,130	18,645	1,000	19,714
School Based Therapy Services	7,706,746	7,477,282	6,798,685	7,315,492	7,607,796
Special Assistant to Superintendent	-	-	1,440	-	-
Special Schools & Services	8,373,138	7,903,760	7,704,848	7,709,338	7,737,711
Technology Support Services	418,406	255,096	367,630	302,817	38,635
The Teaching & Learning Center	888,464	851,549	677,535	675,463	390,679
<b>Total Charges for Services</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>Operating grants and contributions</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>General Revenues</b>					
Property taxes, levied for general purposes	20,184,898	19,353,694	18,248,412	17,848,708	17,519,315
Grants and contributions not restricted to specific program	4,679,915	4,909,527	4,882,113	5,157,119	4,636,981
Investment earnings	8,133	23,938	24,893	29,984	43,108
Miscellaneous income	4,379,490	4,652,180	5,040,598	6,703,537	5,132,734
Transfers	-	-	-	-	-
<b>Total Governmental Activities Revenues</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>Business-Type Activities:</b>					
<b>Charges for services:</b>					
Choice Partners Cooperative	-	-	-	-	-
<b>Total Revenues-Business Type Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenues</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>Change in Net Position</b>					
<b>Total Primary Government</b>	<b>\$ 2,800,413</b>	<b>\$ 4,708,157</b>	<b>\$ 4,427,289</b>	<b>\$ 2,808,404</b>	<b>\$ 1,402,726</b>

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

Source: HCDE records

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

*Table 3*  
*Page 1 of 2*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>General Fund:</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	169,805	128,037	163,555	159,613	163,462
Restricted	-	-	-	-	6,281
Committed	2,014,976	2,014,976	1,575,000	6,200,000	6,721,446
Assigned	9,499,397	9,499,397	9,363,629	7,538,285	5,185,416
Unassigned	<u>20,930,182</u>	<u>17,769,755</u>	<u>17,020,303</u>	<u>17,022,340</u>	<u>15,826,627</u>
<b>Total General Fund</b>	<u>\$ 32,614,360</u>	<u>\$ 29,412,165</u>	<u>\$ 28,122,487</u>	<u>\$ 30,920,238</u>	<u>\$ 27,903,232</u>
<b>All Other Governmental Funds:</b>					
Reserved, reported in:					
PFC Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted, reported in:					
PFC Capital Projects Fund	<u>10,600,127</u>	<u>11,219,387</u>	<u>10,874,006</u>	<u>31,983</u>	<u>31,881</u>
<b>Total All Other Governmental Funds</b>	<u>\$ 10,600,127</u>	<u>\$ 11,219,387</u>	<u>\$ 10,874,006</u>	<u>\$ 31,983</u>	<u>\$ 31,881</u>

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

Source: HCDE records.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**FUND BALANCE OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

*Table 3*  
*Page 2 of 2*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>General Fund:</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$12,691,734
Unreserved	-	-	-	-	9,038,193
Nonspendable	148,912	146,919	111,719	119,634	-
Restricted	6,281	117,019	428,228	1,218,921	-
Committed	3,150,000	1,408,000	1,408,000	1,408,000	-
Assigned	8,394,445	9,394,231	7,450,241	5,810,352	-
Unassigned	14,901,561	13,748,845	12,425,483	10,668,827	-
<b>Total General Fund</b>	<u>\$ 26,601,199</u>	<u>\$ 24,815,014</u>	<u>\$ 21,823,671</u>	<u>\$ 19,225,734</u>	<u>\$ 21,729,927</u>
<b>All Other Governmental Funds:</b>					
Reserved, reported in:					
PFC Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$1,048,571
Restricted, reported in:					
PFC Capital Projects Fund	1,021,734	1,021,733	1,048,577	1,048,578	-
<b>Total All Other Governmental Funds</b>	<u>\$ 1,021,734</u>	<u>\$ 1,021,733</u>	<u>\$ 1,048,577</u>	<u>\$ 1,048,578</u>	<u>\$ 1,048,571</u>

Note: For the fiscal year 2010 and prior the amounts represent Pre-GASB 54  
Source: HCDE records.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
*(Modified Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 4*  
*Page 1 of 2*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>	<u>2015*</u>
Total revenues	\$ 79,771,645	\$ 78,200,293	\$ 75,335,740	\$ 73,253,550	\$ 79,276,809
Total expenditures	<u>82,995,395</u>	<u>79,368,332</u>	<u>76,879,551</u>	<u>72,783,901</u>	<u>78,145,010</u>
<b>Excess (deficiency) of revenues over(under) expenditures:</b>	<u>(3,223,750)</u>	<u>(1,168,039)</u>	<u>(1,543,811)</u>	<u>469,649</u>	<u>1,131,799</u>
<b>Other Financing Sources (Uses)</b>					
Lease Revenue Bond Refunding	-	-	-	-	4,255,000
Payment on Bond Refunding Escrow Agent	-	-	-	-	(5,074,619)
Bond Sale	-	-	7,000,000	-	-
Sale of equipment	-	-	-	-	-
Transfers in	11,635,782	8,573,483	11,267,601	5,799,651	4,752,664
Transfers out	<u>(5,829,097)</u>	<u>(57,703,789)</u>	<u>(8,679,518)</u>	<u>(3,252,192)</u>	<u>(4,752,664)</u>
<b>Total other financing sources(uses)</b>	<u>5,806,685</u>	<u>2,803,104</u>	<u>9,588,083</u>	<u>2,547,459</u>	<u>(819,619)</u>
<b>Net change in fund balances</b>	<u>\$ 2,582,935</u>	<u>\$ 1,635,065</u>	<u>\$ 8,044,272</u>	<u>\$ 3,017,108</u>	<u>\$ 312,180</u>

Source: HCDE records.

\* Note: Lease Revenue Bonds were refunded and QZAB bonds were issued in 2009.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
*(Modified Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 4*  
*Page 2 of 2*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010*</u>
Total revenues	\$ 77,424,337	\$ 86,561,843	\$ 81,495,314	\$ 86,287,924	\$ 83,105,963
Total expenditures	75,858,286	83,597,445	78,904,603	88,792,110	84,895,196
<b>Excess (deficiency) of revenues over(under) expenditures:</b>	<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>
<b>Other Financing Sources (Uses)</b>					
Lease Revenue Bond Refunding	9,685,000	-	-	-	-
Payment on Bond Refunding Escrow Agent	(9,465,000)	-	-	-	-
Bond Sale	-	-	-	-	-
Sale of equipment	135	100	7,226	-	-
Transfers in	4,401,099	3,684,601	3,799,980	4,186,302	3,833,822
Transfers out	(4,401,099)	(3,684,601)	(3,799,980)	(4,186,302)	(3,833,822)
<b>Total other financing sources(uses)</b>	<u>220,135</u>	<u>100</u>	<u>7,226</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<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>

Source: HCDE records.

\* Note: Lease Revenue Bonds were refunded and QZAB bonds were issued in 2009.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**GOVERNMENTAL FUNDS REVENUES**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis Accounting)*  
*(Amounts Expressed in Thousands)*  
*(Unaudited)*

*Table 5*  
*Page 1 of 2*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Local Sources:</b>					
Charges for services	\$21,253,073	\$20,383,705	\$20,043,478	\$19,213,400	\$22,543,051
Property taxes, levied for general purposes	23,051,892	22,514,793	21,751,923	21,141,146	21,107,977
Local grants	5,272,056	4,766,262	5,355,621	5,086,589	5,049,186
Miscellaneous income	1,111,032	892,026	270,504	164,439	267,098
<b>Total Local Sources</b>	<u>50,859,137</u>	<u>48,556,786</u>	<u>47,421,526</u>	<u>45,605,574</u>	<u>48,967,312</u>
<b>State Sources:</b>					
State aid grants	780,488	2,352,287	2,260,853	2,810,044	3,182,302
On-behalf payments	2,508,668	2,396,189	2,290,135	2,215,370	2,099,190
<b>Total State Sources</b>	<u>3,289,156</u>	<u>4,748,476</u>	<u>4,550,988</u>	<u>5,025,414</u>	<u>5,281,492</u>
<b>Federal Sources:</b>	<u>25,623,352</u>	<u>24,895,031</u>	<u>23,363,226</u>	<u>22,622,562</u>	<u>25,028,005</u>
<b>Total Revenues</b>	<u>\$79,771,645</u>	<u>\$78,200,293</u>	<u>\$75,335,740</u>	<u>\$73,253,550</u>	<u>\$79,276,809</u>

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**GOVERNMENTAL FUNDS REVENUES**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis Accounting)*  
*(Amounts Expressed in Thousands)*  
*(Unaudited)*

*Table 5*  
*Page 2 of 2*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Local Sources:</b>					
Charges for services	\$22,774,848	\$21,794,986	\$20,585,941	\$21,866,639	\$20,865,525
Property taxes, levied for general purposes	20,261,566	19,375,195	18,355,784	18,044,185	17,252,729
Local grants	4,653,717	4,417,941	4,966,634	6,693,136	5,124,750
Miscellaneous income	466,073	672,441	608,435	326,270	205,159
<b>Total Local Sources</b>	<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>
<b>State Sources:</b>					
State aid grants	4,710,852	5,713,001	6,841,825	7,253,451	5,034,164
On-behalf payments	2,009,295	1,732,483	1,807,238	1,957,430	2,704,456
<b>Total State Sources</b>	<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>
<b>Federal Sources:</b>	<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>
<b>Total Revenues</b>	<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>

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



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 6*  
*Page 1 of 2*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Adult Education Program	\$ 4,242,673	\$ 4,926,751	\$ 3,897,009	\$ 4,068,869	\$ 3,932,144
Assistant Superintendents' Offices	567,780	550,282	534,595	533,135	514,795
Board of Trustees	177,757	128,396	138,343	131,482	205,738
Business Support Services	1,726,357	1,733,238	1,711,576	1,783,858	1,660,485
Center for After School, Summer & Expanded Learning	6,932,667	7,415,860	7,320,521	7,344,632	8,491,605
Center for Safe & Secure Schools	617,861	458,510	647,093	473,676	625,609
Center for School Gov & Fiscal Accountability	-	-	-	-	70,604
Center for Texas Grants Development	558,705	558,169	550,918	540,539	513,827
Choice Partners Cooperatives (1) (2)	-	-	-	-	1,731,034
Communications & Client Engagement	1,458,957	1,248,256	1,215,481	1,324,033	1,152,090
Department Wide	6,727,446	6,051,002	6,862,145	5,867,987	5,540,253
Digital Learning	244,380	406,107	1,345,415	1,662,289	1,375,220
Early Childhood Intervention	-	-	-	-	2,116,246
Education Certification & Professional Advancement	588,579	616,559	673,466	625,469	507,114
Education Foundation	-	-	9,812	199,603	201,041
Facility Support Services	1,025,227	1,332,808	730,324	449,188	1,288,233
Head Start Program	19,314,914	18,963,042	17,455,113	16,439,375	16,396,415
Human Resources	1,044,283	998,178	986,813	935,877	935,662
PFC Capital Projects	-	-	-	-	-
Preschool Initiative	-	-	-	-	-
Principal Certification	-	-	-	-	-
Purchasing Support Services (1)	538,986	488,359	487,590	472,964	397,278
Quality Zone Academy Bonds (QZAB)	-	-	-	6,281	-
Records Management Services	1,917,340	1,826,139	1,557,380	1,519,616	1,652,481
Research & Evaluation Institute	560,157	590,450	575,247	512,665	456,317
Retirement Leave Benefits	118,233	124,832	358,964	322,795	288,606
Scholastic Arts & Writing Program	139,108	99,932	101,187	102,115	87,516
School Based Therapy Services	10,550,740	10,317,233	9,701,864	9,292,131	8,558,847
Chief of Staff	269,039	239,431	289,057	187,574	131,149
Special Schools & Services	14,996,466	12,610,677	11,657,915	10,452,501	10,791,044
Superintendent's Office	513,510	443,456	445,967	382,543	429,179
Technology Support Services	3,690,024	2,860,974	3,028,436	3,686,311	4,302,817
Texas LEARNS	-	-	-	-	-
The Teaching & Learning Center	1,324,710	1,235,105	1,229,426	1,058,193	1,181,660
Debt Service:					
Principal Payments	2,886,429	2,826,429	2,781,429	2,106,429	2,131,429
Interest & Fees	263,067	318,163	352,303	301,771	307,049
Bond Issuance Costs & Fees	-	-	234,162	-	171,523
<b>Total Expenditures</b>	<u>\$82,995,395</u>	<u>\$79,368,338</u>	<u>\$76,879,551</u>	<u>\$72,783,901</u>	<u>\$78,145,010</u>
<b>Debt service as a percentage of non-capital expenditures</b>	3.89%	4.07%	4.17%	3.37%	3.23%

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.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*  
*(Unaudited)*

*Table 6*  
*Page 2 of 2*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Adult Education Program	\$ 4,150,520	\$ 4,619,062	\$ 4,492,308	\$4,517,066	\$5,153,392
Assistant Superintendents' Offices	465,329	458,711	446,650	454,940	454,813
Board of Trustees	194,851	158,756	108,958	139,736	120,431
Business Support Services	1,654,106	1,605,591	1,525,180	1,573,952	1,635,352
Center for After School, Summer & Expanded Learning	6,932,759	8,171,013	8,771,440	7,987,851	8,844,959
Center for Safe & Secure Schools	747,801	409,064	413,600	623,732	566,612
Center for School Gov & Fiscal Accountability	129,596	177,207	180,248	182,784	184,855
Center for Texas Grants Development	504,065	551,069	552,633	583,081	547,611
Choice Partners Cooperatives (1) (2)	1,592,628	1,579,519	1,367,157	1,171,149	1,072,172
Communications & Client Engagement	1,063,174	1,057,789	909,441	931,143	676,953
Department Wide	5,489,076	5,509,651	5,247,400	6,082,956	6,184,048
Digital Learning	1,607,457	2,057,974	2,546,687	2,500,221	1,446,941
Early Childhood Intervention	4,871,057	5,130,418	5,864,367	8,164,664	8,375,054
Education Certification & Professional Advancement	511,485	301,613	220,146	86,709	102,752
Education Foundation	200,754	200,035	200,322	150,782	165,344
Facility Support Services	451,170	552,735	412,563	1,875,564	422,598
Head Start Program	13,604,585	14,495,379	14,934,870	17,294,830	15,963,246
Human Resources	924,157	874,293	871,536	934,284	913,737
PFC Capital Projects	-	26,845	-	-	465,929
Preschool Initiative	36,600	-	-	-	-
Principal Certification	-	-	-	96,667	68,664
Purchasing Support Services (1)	427,646	394,816	355,414	792,975	869,923
Quality Zone Academy Bonds (QZAB)	110,972	311,727	853,810	3,101,860	796,984
Records Management Services	1,527,654	1,516,613	1,603,485	1,402,283	1,525,365
Research & Evaluation Institute	492,641	467,427	458,128	441,394	425,438
Retirement Leave Benefits	410,154	219,305	224,144	261,983	65,515
Scholastic Arts & Writing Program	72,286	71,961	60,062	78,239	77,238
School Based Therapy Services	7,931,371	7,703,718	7,318,381	7,663,305	7,979,677
Chief of Staff	-	6,265	64,479	76,259	77,220
Special Schools & Services	10,623,818	9,977,362	9,838,623	10,309,938	10,357,717
Superintendent's Office	505,248	370,259	351,005	353,242	342,740
Technology Support Services	4,192,273	4,145,077	3,208,799	3,365,993	3,505,672
Texas LEARNS	421,492	6,857,589	1,849,495	1,960,188	1,889,908
The Teaching & Learning Center	1,223,398	965,705	998,820	978,342	963,862
Debt Service:					
Principal Payments	1,916,429	1,811,428	1,761,429	1,711,428	1,646,428
Interest & Fees	651,734	841,469	893,023	942,570	1,006,046
Bond Issuance Costs & Fees	220,000	-	-	-	-
<b>Total Expenditures</b>	<u>\$75,858,286</u>	<u>\$83,597,445</u>	<u>\$78,904,603</u>	<u>\$88,792,110</u>	<u>\$84,895,196</u>
<b>Debt service as a percentage of non-capital expenditures</b>	3.46%	3.24%	3.44%	3.19%	3.20%

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.



**REVENUE CAPACITY**

**Back of Revenue Capacity Divider**

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

*Table 7*

Fiscal Year Ended August 31	Net Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Net Tax Levy		Amount	Percent of Total Tax Collections to Net Tax Levy
2019	\$ 23,187,623	\$ 22,764,706	98.18%	\$ -	22,764,706	98.18%
2018	22,230,715	21,937,173	98.68%	(46,785)	21,890,388	98.47%
2017	21,678,010	21,412,201	98.77%	(100,085)	21,312,116	98.31%
2016	21,040,325	20,736,926	98.56%	160,762	20,897,688	99.32%
2015	20,933,936	20,660,459	98.69%	222,873	20,883,332	99.76%
2014	20,064,263	19,805,270	98.71%	226,808	20,032,078	99.84%
2013	19,167,433	18,882,728	98.51%	249,841	19,132,569	99.82%
2012	18,141,665	17,894,045	98.64%	212,760	18,106,805	99.81%
2011	17,889,672	17,625,587	98.52%	229,365	17,854,952	99.81%
2010	17,176,403	16,782,324	97.71%	267,148	17,049,472	99.26%

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PROPERTY TAX RATES, ALL DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**  
*(Rates per \$100 of Assessed Value)*  
*(Unaudited)*

*Table 8*  
*Page 1 of 2*

<b>Taxing Authority</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Department Direct Rate:</b>					
HCDE <sup>(a)</sup>	\$0.005190	\$0.005195	\$0.005200	\$0.005422	\$0.005999
<b>Overlapping Rates Jurisdictions:</b>					
Harris County (HC)	0.4186	0.4180	0.4166	0.4192	0.4173
HC Flood Control District	0.0288	0.0283	0.0283	0.0273	0.0273
Port of Houston Authority	0.0116	0.0116	0.0133	0.0134	0.0153
HC Hospital District	0.1711	0.1711	0.1718	0.1700	0.1700
<b>Cities:</b>					
Baytown	0.8220	0.8220	0.8220	0.8220	0.8220
Bellaire	0.4313	0.4159	0.3874	0.3805	0.3936
Deer Park	0.7200	0.7200	0.7200	0.7144	0.7200
Houston	0.5883	0.5842	0.5864	0.6011	0.6310
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.5638	0.5650	0.5700	0.5735	0.5970
Missouri City	0.6300	0.6000	0.5601	0.5447	0.5650
Pasadena	0.6154	0.5754	0.5754	0.5754	0.5769
Pearland	0.7092	0.6851	0.6812	0.7053	0.7121
Seabrook	0.5520	0.5749	0.5652	0.6126	0.6400
South Houston	0.6505	0.6433	0.6322	0.6995	0.6445
Webster	0.3479	0.3173	0.2845	0.2345	0.2487
West University Place	0.3168	0.3168	0.3168	0.3318	0.3617
<b>Taxing Authority</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>School Districts and Junior Colleges:</b>					
Aldine	1.4359	1.3734	1.3234	1.2859	1.2858
Alief	1.3300	1.3300	1.3050	1.2800	1.2800
Clear Creek	1.4000	1.4000	1.4000	1.4000	1.4000
Cypress-Fairbanks	1.4400	1.4400	1.4400	1.4400	1.4400
Deer Park	1.5387	1.5567	1.5567	1.5567	1.5567
Galena Park	1.5733	1.5633	1.5633	1.5134	1.5134
Goose Creek	1.4319	1.4319	1.4319	1.4319	1.4319
Houston	1.2067	1.2067	1.2067	1.1967	1.1967
Humble	1.5200	1.5200	1.5200	1.5200	1.5200
Katy	1.5166	1.5166	1.5166	1.5166	1.5266
Klein	1.4300	1.4300	1.4300	1.4100	1.3900
LaPorte	1.3800	1.3800	1.4200	1.4500	1.4500
North Forest	N/A	N/A	N/A	N/A	N/A
Lone Star College *	0.1078	0.1078	0.1078	0.1079	0.1081
Pasadena	1.4800	1.4800	1.3500	1.3500	1.3500
Pearland	1.4156	1.4156	1.4156	1.4156	1.4157
San Jacinto Jr. College	0.1793	0.1833	0.1824	0.1758	0.1856
Sheldon	1.4700	1.4700	1.4100	1.4100	1.4300
Spring	1.5100	1.5100	1.4700	1.4700	1.5100
Spring Branch	1.3945	1.3945	1.3945	1.3945	1.3945
Tomball	1.3400	1.3400	1.3400	1.3400	1.3600

<sup>(a)</sup> HCDE has only Maintenance and Operating rates.

\* Formerly North Harris Montgomery Community College

Source: Harris County (Texas) Appraisal District

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PROPERTY TAX RATES, ALL DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**  
*(Rates per \$100 of Assessed Value)*  
*(Unaudited)*

*Table 8*  
*Page 2 of 2*

<b>Taxing Authority</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Department Direct Rate:</b>					
HCDE <sup>(a)</sup>	\$0.006358	\$0.00661	\$0.00658	\$0.00658	\$0.00605
<b>Overlapping Rates Jurisdictions:</b>					
Harris County (HC)	0.4146	0.4002	0.3911	0.3880	0.3922
HC Flood Control District	0.0283	0.0280	0.0280	0.0292	0.0292
Port of Houston Authority	0.0171	0.1952	0.0185	0.0205	0.0163
HC Hospital District	0.1700	0.1821	0.1921	0.1921	0.1922
<b>Cities:</b>					
Baytown	0.8220	0.8220	0.8220	0.7870	0.7870
Bellaire	0.3999	0.3999	0.3999	0.3999	0.3759
Deer Park	0.7200	0.7200	0.7200	0.7050	0.7050
Houston	0.6387	0.6387	0.6387	0.6387	0.6387
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.5970	0.5970	0.6100	0.6160	0.6300
Missouri City	0.5738	0.5448	0.5284	0.5284	0.5284
Pasadena	0.5915	0.5915	0.5915	0.5915	0.5620
Pearland	0.7051	0.7051	0.6851	0.6651	0.6526
Seabrook	0.6651	0.6652	0.6499	0.6268	0.6134
South Houston	0.6699	0.7082	0.6875	0.6731	0.6784
Webster	0.2696	0.2852	0.2852	0.2575	0.2325
West University Place	0.3741	0.3741	0.3741	0.3741	0.3587
<b>Taxing Authority</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>School Districts and Junior Colleges:</b>					
Aldine	1.3058	1.3283	1.3283	1.3005	1.3005
Alief	1.2900	1.3200	1.3300	1.3400	1.3400
Clear Creek	1.4000	1.3600	1.3600	1.3600	1.3600
Cypress-Fairbanks	1.4500	1.4500	1.4300	1.4300	1.4100
Deer Park	1.5567	1.5267	1.3967	1.3967	1.3667
Galena Park	1.5134	1.5134	1.5134	1.5134	1.4784
Goose Creek	1.3868	1.3321	1.3321	1.3021	1.2821
Houston	1.1867	1.1567	1.1567	1.1567	1.1567
Humble	1.5200	1.5200	1.5200	1.5200	1.5200
Katy	1.5266	1.5266	1.5266	1.5266	1.5266
Klein	1.4300	1.4400	1.4300	1.4100	1.3600
LaPorte	1.3300	1.3300	1.3550	1.3250	1.3250
North Forest	N/A	1.4432	1.4692	1.3700	1.3500
Lone Star College *	0.1160	0.1198	0.1210	0.1176	0.1101
Pasadena	1.3500	1.3500	1.3500	1.3500	1.3500
Pearland	1.4157	1.4194	1.4194	1.4194	1.4194
San Jacinto Jr. College	0.1856	0.1856	0.1856	0.1708	0.1708
Sheldon	1.4300	1.4300	1.4300	1.4300	1.4300
Spring	1.5700	1.5700	1.5700	1.4600	1.4600
Spring Branch	1.3945	1.3945	1.3945	1.3945	1.3945
Tomball	1.3600	1.3600	1.3600	1.3600	1.3600

<sup>(a)</sup> HCDE has only Maintenance and Operating rates.

\* Formerly North Harris Montgomery Community College

Source: Harris County (Texas) Appraisal District

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
*(Amounts Expressed in Thousands)*  
*(Unaudited)*

*Table 9*

Fiscal Year Ended Aug 31	Real Property Value		Personal Property Value		Less: Exemptions	Adjusted Assessed Value	HCDE Tax Rates
	Residential	Commercial	Residential	Commercial			
2019	\$ 194,080,210	\$ 184,129,876	\$ 69,320,184	\$ 62,217,174	\$ 64,409,180	\$ 445,338,264	0.005190
2018	212,045,562	198,126,505	50,888,644	43,362,660	70,345,198	434,078,174	0.005195
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	0.006610
2012	134,543,172	137,773,436	45,731,769	45,253,937	87,635,015	275,667,299	0.006580
2011	133,937,637	134,651,780	45,240,612	43,256,841	85,248,677	271,838,192	0.006580
2010	136,222,881	142,409,796	44,712,038	44,188,400	83,625,625	283,907,490	0.006050

Source: Harris County (Texas) Appraisal District



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PRINCIPAL TAXPAYERS**  
**CURRENT YEAR AND TEN YEARS AGO**  
*(Amounts in Thousands)*  
*(Unaudited)*

*Table 10*

Taxpayers	2019			2009		
	2018 Taxable Value <sup>(a)</sup>	Rank	Percentage of Total Taxable Value <sup>(b)</sup>	2008 Taxable Value <sup>(a)</sup>	Rank	Percentage of Total Taxable Value <sup>(c)</sup>
Exxon Mobil Corporation	\$ 4,228,841	1	0.94%	\$ 4,037,542	1	1.43%
Chevron Phillips Chemical CO LP	3,866,104	2	0.86%	1,493,069	5	0.53%
Centerpoint Energy, Inc.	3,678,076	3	0.82%	2,500,761	3	0.89%
Equistar Chemicals LP (d)	1,748,051	4	0.39%	1,465,828	6	0.52%
Shell Oil Company	1,962,848	5	0.44%	2,638,781	2	0.94%
Palmetto Transoceanic LLC	1,202,472	6	0.27%	-	-	-
Enterprise	1,201,955	7	0.27%	-	-	-
Valero Energy Corp	1,035,551	8	0.23%	-	-	-
National Oilwell Inc	954,122	9	0.21%	-	-	-
Wal Mart	930,843	10	0.21%	-	-	-
Houston Refining (d)	-	-	0.00%	1,555,086	4	0.55%
PKY East 1-2, West 3-4, POC, San Felipe Plaza (e)	-	-	0.00%	1,378,917	7	0.49%
Hines Interests Ltd Partnership	-	-	0.00%	1,248,647	8	0.44%
AT&T Mobility LLC	-	-	0.00%	999,524	9	0.35%
Lyondell Chemical (d)	-	-	-	993,951	10	0.35%
<b>Total</b>	<u>\$ 20,808,865</u>		<u>4.62%</u>	<u>\$ 18,312,106</u>		<u>6.49%</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 2017.
- (c) Based on total taxable value as of August 2007.
- (d) Lyondell Chemical filed for Chapter 11 bankruptcy on January 6, 2009. It is not certain whether all taxes owed





**DEBT CAPACITY**

Education  
Foundation  
of the City of  
San Jose

**Back of Debt Capacity Divider**

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

*Table 11*  
*Page 1 of 2*

<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>
2019	\$ 13,310,713	\$ -	\$ 13,310,713	\$ 445,338,264
2018	16,197,142	-	16,197,142	434,078,174
2017	19,053,624	-	19,053,624	412,884,815
2016	14,844,750	-	14,844,750	388,054,685
2015	16,959,914	-	16,959,914	348,957,093
2014	19,828,750	-	19,828,750	315,479,113
2013	20,954,287	-	20,954,287	289,669,533
2012	22,765,715	-	22,765,715	275,667,298
2011	24,527,144	-	24,527,144	271,838,196
2010	26,238,572	-	26,238,572	283,907,489

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

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

*Table 11*  
*page 2 of 2*

<b>Fiscal Year Ended Aug. 31</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>
2019	0.0030%	n/a	n/a	4,968,619	\$2.68
2018	0.0037%	n/a	n/a	4,652,980	\$3.48
2017	0.0046%	n/a	n/a	4,589,928	\$4.15
2016	0.0038%	240,752,454	n/a	4,538,028	\$3.27
2015	0.0049%	252,694,912	0.0067%	4,441,370	\$3.82
2014	0.0063%	230,462,963	0.0086%	4,336,853	\$4.57
2013	0.0072%	224,617,980	0.0093%	4,253,700	\$4.93
2012	0.0083%	204,593,445	0.0111%	4,180,894	\$5.45
2011	0.0090%	183,924,000	0.0133%	4,092,459	\$5.99
2010	0.0092%	196,779,227	0.0133%	4,070,989	\$6.45

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

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

*Table 12*

<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>		
2019	\$ 3,149,496	\$ -	\$ 3,149,496	\$ 82,962,730	3.80%
2018	3,144,592	-	3,144,592	79,368,338	3.96%
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%

Source: HCDE records.

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**ESTIMATED COUNTY-WIDE DIRECT AND OVERLAPPING BONDED DEBT**  
**August 31, 2019**  
**(Unaudited)**

*Table 13*

	<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 (2/28/19) (a)	100.00%	\$ 1,847,911
Harris County Flood Control District (2/28/18)	100.00%	588,449
Port of Houston Authority (2/28/18)	100.00%	<u>638,829</u>
<b>Total County-Wide Direct Debt</b>		<b>\$ 3,075,189</b>
<b>Cities:</b>		
Houston (6/30/17)	99.30%	\$ 3,151,643
Other cities (a)	Various	<u>636,310</u>
<b>Sub-Total Cities</b>		<b><u>3,787,953</u></b>
<b>School Districts and Junior Colleges: (b)</b>	Various	<u>17,786,344</u>
Utility Districts (c)	100.00%	<u>6,992,187</u>
<b>Total Overlapping Debt:</b>		<b>\$ 28,566,484</b>
<b>Total Direct HCDE (e)</b>		<b>\$ 16,227,196</b>
<b>Total Direct and Overlapping Debt (Estimated \$9,100 Per Capita) (e)</b>		<b><u>\$ 44,793,680</u></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)	\$ 11,505,000
QZAB	1,805,715
Issuance Premiums	<u>10,663</u>
<b>Total Direct HCDE Debt</b>	<b><u>\$ 13,321,378</u></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.





**DEMOGRAPHIC & ECONOMIC  
INFORMATION**

Education  
Foundation  
of the City of  
San Antonio

**Back of Demographic and Economic Information Divider**

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

*Table 14*

<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>
2019	4,698,619	3.60%	n/a	n/a
2018	4,652,980	4.40%	265,351,328,000	\$ 58,664
2017	4,589,928	4.10%	\$ 247,482,118,000	57,791
2016	4,538,028	4.80%	249,989,494,000	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

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

Sources: (a) 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, 2019**  
*(Unaudited)*

*Table 15*

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 (a)	Houston
Number of school districts in primary service area	25
2018 estimate Population of Harris County, Texas (b)	4,698,619
Area of Harris County, Texas (b)	1,703 square miles
2019 Employment by Major Industry: (a)	
Mining and Logging	85,800
Construction	227,100
Manufacturing	243,000
Trade, Transportation, and Utilities	630,700
Information	29,800
Financial Activities	168,800
Professional and Business Services	522,300
Educational and Health Services	406,000
Leisure and Hospitality	337,600
Other Services	121,600
Government	394,200
2014-2018 Median household income: (b)	
State of Texas	\$ 59,570
Harris County	\$ 60,146
August 2019 Unemployment Rate (c)	
State of Texas	3.6%
Harris County	3.9%
2014-2018 Median value of owner occupied housing units: (b)	
State of Texas	\$ 161,700
Harris County	\$ 165,300

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

**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**PRINCIPAL EMPLOYEES**  
**CURRENT YEAR AND TEN YEARS AGO**  
*(Amounts in thousands)*  
*(Unaudited)*

*Table 16*

<b>Employer</b>	<b>2019</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
Wal-Mart Stores Inc.	31,000	1	0.9837%	31,900	1	1.2625%
Memorial Hermann Healthcare	27,211	2	0.8635%	20,201	3	0.7995%
HEB	26,956	3	0.8554%	12,283	10	0.4861%
Houston Methodist	23,669	4	0.7511%	12,363	9	0.0
UT MD Anderson Cancer Center	21,001	5	0.6664%	17,536	4	0.6940%
McDonald's Corp.	16,100	6	0.5109%	-		0.0000%
Kroger Co	15,902	7	0.5046%	14,620	6	0.5786%
Exxon Mobil Corp	15,000	8	0.4760%	14,396	7	0.5698%
Texas Children's Hospital	15,000	9	0.4760%	-		-
United Airlines	13,904	10	0.4412%	16,451	5	0.0
Shell Oil Company	-		-	12,850	8	0.5086%
Administaff	-		-	20,589	2	0.8149%
<b>Totals</b>	<b>205,743</b>		<b>6.5288%</b>	<b>173,189</b>		<b>6.8544%</b>

Notes: Employment numbers were obtained from the Houston Chronicle.

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





**OPERATING INFORMATION**

**Back of Operating Information Divider**



**HARRIS COUNTY DEPARTMENT OF EDUCATION**  
**DEPARTMENT EMPLOYEES BY PROGRAM**  
**LAST NINE FISCAL YEARS**  
*(Unaudited)*

*Table 17*  
*Page 1 of 2*

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Adult Education	73.3	73.3	75.3	75.3	78.7
Assistant Superintendents' Offices	6.0	6.0	5.0	4.0	3.5
Alternative Certification	5.5	5.5	5.5	5.5	4.0
Business Support Services	16.5	16.5	16.5	16.5	15.5
Board of Trustees	1.0	1.0	0.5	0.5	0.5
Center for After School, Summer and Expanded Learning	20.0	21.0	22.2	22.2	13.0
Center for Safe & Secure Schools	3.0	4.0	3.0	3.0	3.5
Center for School Governance & Fiscal Accountability	-	-	-	-	0.5
Choice Partners Cooperative	18.4	18.4	15.4	15.4	15.0
Client Engagement	6.0	6.0	4.6	4.6	4.0
Communications	8.6	8.6	9.0	9.0	6.0
Digital Learning & Instructional Technology	-	-	-	-	1.0
Facility Support Services	51.5	51.5	51.5	51.5	51.5
Head Start Program	288.0	288.0	285.0	285.0	258.5
Human Resources	10.0	10.0	10.0	10.0	9.5
Printing & Visual Communications	-	-	-	-	-
Purchasing Support	6.0	6.0	6.0	6.0	6.0
Records Management Services	14.0	14.0	13.0	13.0	12.0
Research & Evaluation	7.0	7.0	7.0	7.0	6.0
Resource Development	6.0	6.0	6.0	6.0	6.0
School Based Therapy Services	141.9	141.9	138.3	138.3	206.0
Special Schools Program	168.0	168.0	158.3	155.0	157.0
Superintendent's Office	2.0	2.0	1.5	2.5	2.0
Digital Learning and Innovation	2.0	2.0	1.7	-	3.0
Technology Support Services	21.0	21.0	21.0	22.0	24.0
Texas LEARNS	-	-	-	-	-
Texas Virtual School Network	-	-	15.0	15.0	18.0
The Teaching and Learning Center	10.5	10.5	11.8	12.5	9.8
<b>Total:</b>	<b>886.2</b>	<b>888.2</b>	<b>883.1</b>	<b>879.7</b>	<b>914.5</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**  
**DEPARTMENT EMPLOYEES BY PROGRAM**  
**LAST NINE FISCAL YEARS**  
*(Unaudited)*

*Table 17*  
*Page 2 of 2*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Adult Education	104.2	77.0	78.0	87.3	389.0
Assistant Superintendents' Offices	3.5	3.5	3.5	5.5	5.0
Alternative Certification	4.0	2.5	1.7	0.2	-
Business Support Services	15.5	15.5	15.5	16.0	16.0
Board of Trustees	0.5	0.5	0.5	0.5	0.5
Center for After School, Summer and Expanded Learning	13.0	14.0	14.0	16.0	19.0
Center for Safe & Secure Schools	3.5	1.0	3.0	3.0	3.0
Center for School Governance & Fiscal Accountability	0.5	0.5	0.5	-	1.0
Choice Partners Cooperative	16.0	17.0	9.0	10.0	5.0
Client Engagement	4.0	3.0	3.0	2.0	-
Communications	6.0	6.0	5.0	6.0	7.0
Digital Learning & Instructional Technology	1.0	2.0	2.0	2.0	2.0
Facility Support Services	51.5	52.0	53.5	57.0	56.0
Head Start Program	235.3	242.0	251.0	261.0	252.0
Human Resources	10.0	11.0	11.0	10.0	10.0
Printing & Visual Communications	-	-	-	-	-
Purchasing Support	6.0	6.0	11.0	11.0	11.0
Records Management Services	12.0	13.0	14.0	15.0	15.0
Research & Evaluation	6.0	6.0	6.0	6.0	6.0
Resource Development	6.0	7.0	7.0	7.0	7.0
School Based Therapy Services	196.4	211.0	221.0	265.0	271.0
Special Schools Program	145.0	142.0	142.0	156.0	157.0
Superintendent's Office	2.0	2.0	2.0	2.0	2.0
Digital Learning and Innovation	3.0	3.0	-	-	-
Technology Support Services	25.0	27.0	24.0	21.5	21.0
Texas LEARNS	-	15.0	14.0	15.0	15.0
Texas Virtual School Network	17.0	17.0	19.0	17.0	7.0
The Teaching and Learning Center	9.8	9.0	9.0	8.0	8.0
<b>Total:</b>	<u>896.7</u>	<u>905.5</u>	<u>920.2</u>	<u>1,000.0</u>	<u>1,285.5</u>

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 PROGRAMS**  
**LAST FIVE FISCAL YEARS**  
*(Unaudited)*

*Table 18*

<b>Programs</b>	<b>Services Provided</b>
Adult Education	Administers grants
Assistant Superintendents' Offices	Support/administrative
Board of Trustees	Governance
Business Support Services	Support/administrative
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
Chief of Staff	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
Therapy Services	Therapy services and grant programs
COMPONENT UNIT:	
Education Foundation of Harris County	Fund-raising and grants

Source: HCDE records.

**HARRIS COUNTY DEPARTMENT OF EDUCATION  
BUILDING INFORMATION**

*Table 19*

<u>Site #</u>	<u>Building/ Purpose</u>	<u>Location/ City</u>	<u>Year Built</u>	<u>Put Into</u>	<u>Square Footage</u>
<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)*

*Table 20*

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
- Fortis Academy help students who have completed a substance abuse or dependency rehabilitation program continue their high school education in a sober environment.

<b>Campus</b>	<b>Year Opened</b>	<b>Area Served</b>
ABC-East	FY 1982	Southeast Harris County
ABC-West	FY 1998	Southwest Harris County
Highpoint-East	FY 1995	Northeast Harris County
Fortis Academy	FY 2018	Northern Harris County

**HCDE ADULT EDUCATION LOCATIONS**

HCDE serves sites across Harris County, Texas:

<b>School District</b>	<b>Number of Campuses</b>	<b>School District</b>	<b>Number of Campuses</b>
Alief	2	Houston	7
Channelview	1	Katy	3
Cleveland	1	Klein	2
Cypress-Fairbanks	2	Liberty	2
Deer Park	3	Pasadena	11
Galena Park	2	Spring Branch	6
Goose Creek	2	Spring	1

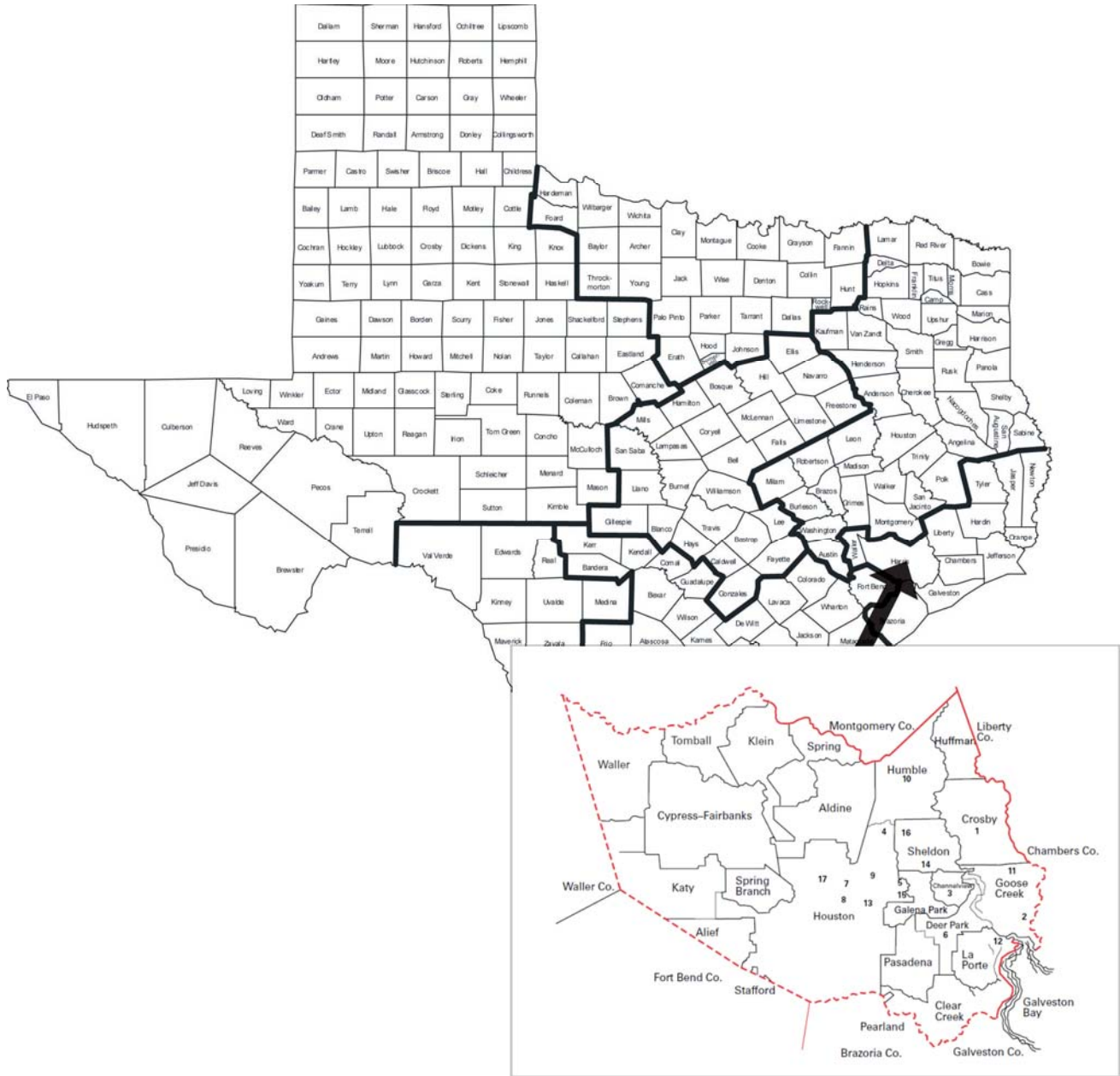
**HCDE HEAD START LOCATIONS**

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

**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.

# Harris County, Texas and 25 School Districts





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.



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