

FISCAL YEAR



Harris County
Department of
Education

**2019
2020**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF
HARRIS COUNTY DEPARTMENT OF EDUCATION

For the Fiscal Year Ended August 31, 2020

James Colbert, Jr.
County School Superintendent

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

Stephanie Barnett, 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 Year Ended August 31, 2020

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HARRIS COUNTY DEPARTMENT OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Introductory Section

January 20, 2021

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, 2020 (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, 2020. The independent auditors' report is located at the front of the financial section of the report.

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

Profile of the Department

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

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

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

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

James Colbert, Jr. | County School Superintendent

6300 Irvington Boulevard ★ Houston, Texas 77022 ★ Tel: 713.694.6300 ★ www.hcde-texas.org

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

Organizational Philosophy

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

Primary Services

The Department's primary service area geographically covers 1,777 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 298 and 343 students during fiscal year 2020 and 2019, respectively. This represents a 13% decrease due to lower demand from school districts. The Department projects to serve 350 students for FY 2021.
- Highpoint Schools serve adjudicated youth by providing intensive counseling and a technology-driven curriculum in a strict disciplinary environment. The Department serviced 502 and 473 students during fiscal year 2020 and 2019, respectively. This represents a 6% decrease due to lower demand from school districts. The Department projects to serve nearly 800 students for FY 2021.
- 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 6,668 and 7,739 students during fiscal year 2020 and 2019, respectively. This represents a 14% decrease due to lower service contracts and COVID19 pandemic. The Department projects to serve 7,000 students for FY 2021.
- 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 1,573 and 1,604 students during fiscal year 2020 and 2019, respectively. This represents a 2% decrease. The Department projects to serve 1,500 students for FY 2021.
- 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 6,510 and 10,295 students during fiscal year 2020 and 2019, respectively. This represents a 37% decrease due to lower service demand. The Department projects to serve 6,000 students for FY 2021.

- 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 17,020 and 12,351 students during fiscal year 2020 and 2019, respectively. This represents a 38% increase due to an increment in the demand for services and additional virtual services. The Department projects to serve over 12,000 students for FY 2021.
- The Teaching & Learning Center provides teaching and learning services to educators, administrators, support personnel, students, parents and the community. The Department delivered services to 6,918 and 4,878 educators during fiscal years 2020 and 2019, respectively. This is a 41% increase due to virtual trainings. The Department projects to service over 6,000 educators in FY 2021.
- 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 2020 and 2019, the Department serviced 1,748 and 1,598 members, respectively. This is a 9% increase for FY 20. The Department expects to serve 1,800 members in FY 2021.
- 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 2,389 and 2,003 members in 2020 and 2019, respectively. This is a 19% increase for FY 2020. 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 55,281 students in 2020 and 50,341 students in 2019 in facilities which safety audits were performed. For FY 2021 the Department expects to audit facilities in which over 58,000 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.

There are 25 public school districts entirely or partially within Harris County, as well as numerous charters, private, and parochial schools. The county is also home to many colleges, universities, institutes, and technical schools.

Long-Term Financial Planning

There are several division plans that make up the Department's overall financial plan. The Department maintains a five-year technology plan and has a long-range facilities plan. Resources for the accomplishment of these goals will be identified in the Department's annual budget. Estimated taxable values are a major factor in forecasting, as the Department currently generates 42 percent in general fund revenues from customer fees and charges and 47 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. In October 2016, the PC issued \$7,000,000 Lease Revenue Bonds that funded the new construction of a replacement AB West Campus. There were no new bonds issued in fiscal year 2020.

Major Initiatives

Major programs and construction projects for the coming fiscal year include the following:

1. **A Capital Improvement Plan** Phase One is proposed to be implemented. The following projects are proposed:
 - a. A new AB East Campus – This is a 43,605 square feet facility to meet special education students. AB East continues to attract additional students, and it is projected that the facility will be at capacity the next year. The projected budget is \$17,805,875. A PFC financing program is recommended for this project. Maintenance Notes will also be used for equipment.
 - b. A new High Point East Campus for Middle School. This school needs additional space to meet the needs of students sent by the district for an alternative campus. This is a 13,750 sq. ft facility, and the projected budget is \$7,916,645. A PFC financing program is recommended for this project. Maintenance Notes will also be used for equipment.
 - c. A new Adult Ed Center is proposed to replace the current facility at the Adult Ed Building. This is a new 40,500 sq. ft building that will be used to offer adult ed classes and workforce development programs. The projected budget is \$16,858,750. A PFC financing program is recommended for this project. Maintenance Notes will also be used for equipment.
 - d. The Irvington Building is over 25 years old, and it is scheduled for a renovation. The projected renovation is expected to cost \$8,365,500. A maintenance note financing is projected for this project. The number of sq. ft to be renovated is 60,000 sq. ft.

2. A new program is being initiated to reinvent the Department considering the COVID19 and market changes. A **Star Re-Imagined Initiative** was aimed at implementing pilot programs that will enhance the footprint of HCDE by rethinking the way we do things. This is a one-time campaign designed by our Superintendent allowing divisions to present an expenditure request under \$50,000 to improve their division. \$648,764 will be used from the General fund to address the 17 divisions requests. This cost is reserved in the fund balance.
3. Planned one-time expenditures from the General Fund balance totaling \$11,588,764 as follows:

Debt Service Transfer for future payments- CIP	\$5,050,000
Plan Capital Improvement Plan – District Contribution	5,740,000
Star Re-Imagined Program	648,764
Compensated Absences - Retirement benefit	150,000
Total fund balance capital expenditure appropriations	<u>\$11,588,764</u>

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, 2019. 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.

The Department received its seventeenth 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, 2019. 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.

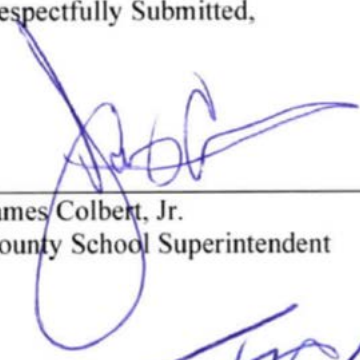
In addition, Harris County Department of Education also received the GFOA *Award for Outstanding Achievement in Popular Annual Financial Reporting* for its Popular Annual Financial Report for the fiscal year ended August 31, 2019, (PAFR), for the thirteenth consecutive year. The *Award for Outstanding 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.

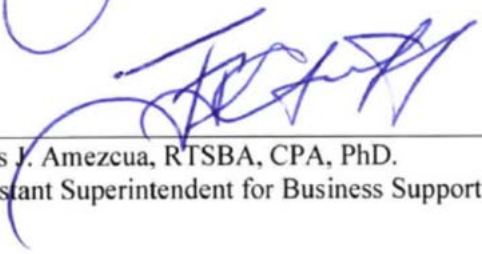
The preparation of this report in a timely manner was made possible by the efficient and dedicated services of the staff of the Business Support Services Division. We would like to express our appreciation to all Department employees for maintaining the highest standards of professionalism in the management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



Stephanie Barnett, 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, 2020, at a meeting of the Board of Trustees on the 20th day of January 2021.



James Colbert, Jr.
Secretary, Board of Trustees



Eric Dick
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, 2019.

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, 2019

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, 2019.

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, 2019.

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



A handwritten signature in black ink that reads 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink that reads 'David J. Lewis'.

David J. Lewis
Executive Director

**HARRIS COUNTY DEPARTMENT OF EDUCATION
PRINCIPAL OFFICIALS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

County Board of School Trustees

NAME	TITLE	LENGTH OF SERVICE	TERM EXPIRES
Eric Dick	President	2017	12/31/2022
Danyahel Norris	Vice President	2019	12/31/2024
James Colbert, Jr.	Secretary	2014	Appointed
Richard Cantu	Member	2019	12/31/2024
Andrea Duhon	Member	2019	12/31/2025
Amy Flores Hinojosa	Member	2019	12/31/2022
Don Sumners	Member	2015	12/31/2020
Michael Wolfe	Member	2015	12/31/2020

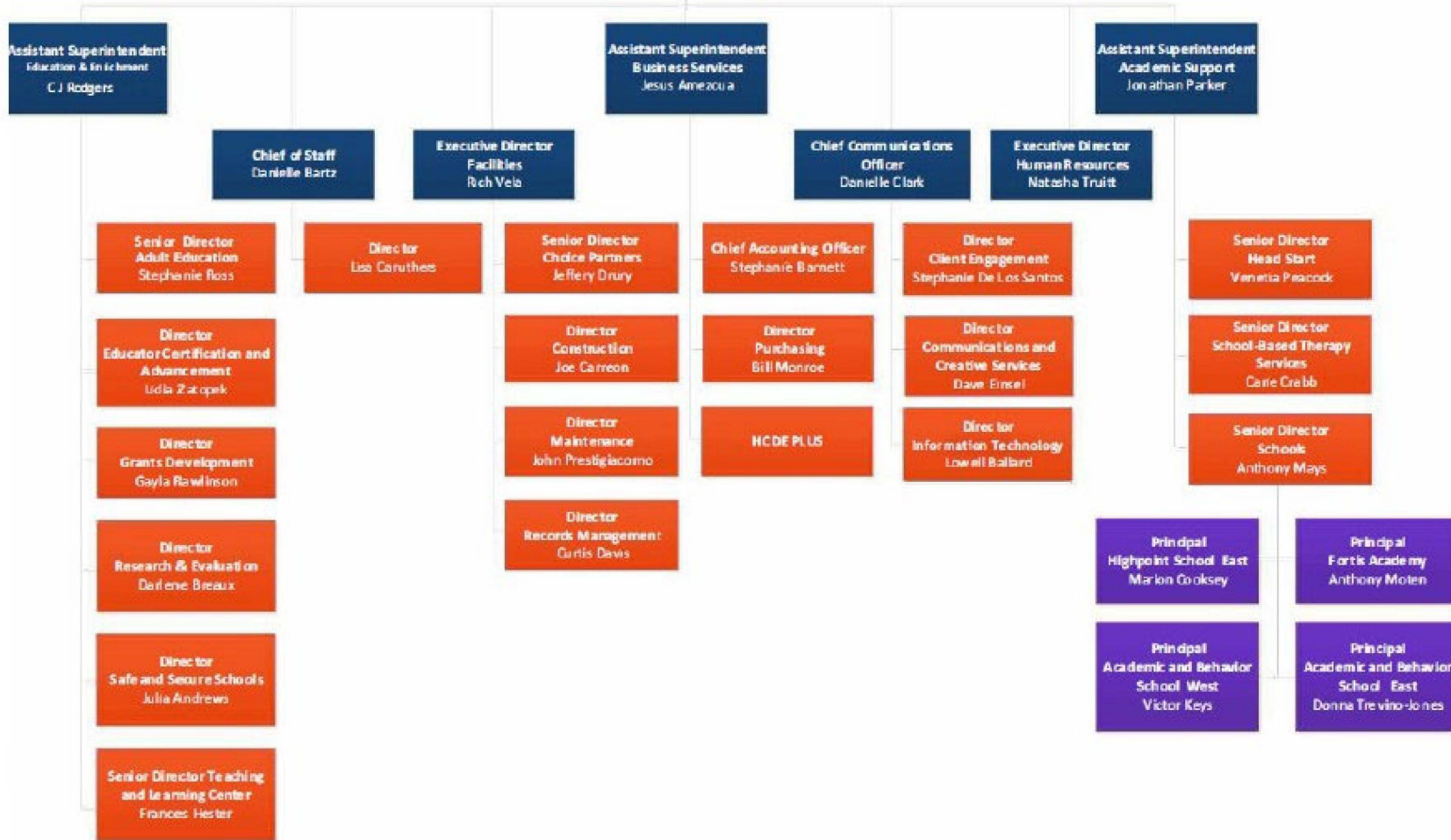
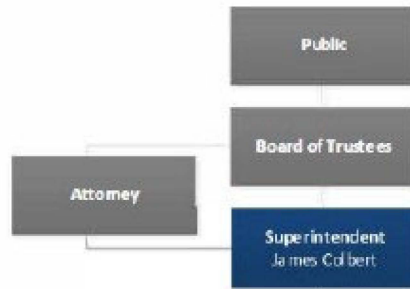
Executive Leadership Team

NAME	POSITION
James Colbert, Jr.	County School Superintendent
Jesus Amezcua, RTSBA, CPA, Ph.D.	Assistant Superintendent - Business Services
Richard Vela	Executive Director – Facilities Support Services
C.J. Rodgers Ed. D.	Assistant Superintendent - Education and Enrichment
Jonathan Parker	Assistant Superintendent - Academic Support Services
Danielle Clark	Chief Communications Officer

**HARRIS COUNTY DEPARTMENT OF EDUCATION
PRINCIPAL OFFICIALS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020**

PFC Board Members

NAME	POSITION
Richard Vela	President
Don Summers	First Vice President
Richard Cantu	Second Vice President
Dr. Jesus J. Amezcua	Treasurer/Secretary
James Colbert Jr.	Director
Danyahel Norris	Director
Joe Carreon	Director



Revised: 03.30.2020



Financial Section

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, 2020, 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, 2020, 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 19 through 27, budgetary comparison information on pages 81 through 82, pension information on pages 83 through 88 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 20, 2021, 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, professional style.

Houston, Texas
January 20, 2021



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, 2020. 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 \$31,896,642.
- The Department's net position increased by \$1,725,195. The primary cause of this increase is due to an increase in revenues in the governmental activities and managing expenses in the business type activities.
- As of August 31, 2020, the Department's governmental funds reported combined ending fund balances of \$35,775,111, a decrease of 17 percent. The decrease in governmental fund balances was primarily due capital outlay and the completion of the ABS West campus. The transfer from the Choice Partner fund of \$3.5 million helped offset some of the additional costs in the general fund related to COVID-19.
- At the end of the fiscal year, the unassigned fund balance in the General Fund was \$17,103,242 or 36 percent of the General Fund's total expenditures for this fiscal year.
- The Department's total bonded debt decreased by \$2,709,096 (20 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.

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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 27 individual governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund, Head Start program, Head Start Operations and Training, Head Start Disaster Recovery 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
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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 \$31,896,642 at August 31, 2020.

Harris County Department of Education Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 42,717,992	\$ 50,287,497	\$ 1,523,165	\$ 1,052,752	\$ 44,241,157	\$ 51,340,249
Capital assets	57,760,411	50,532,859	-	-	57,760,411	50,532,859
Total Assets	<u>100,478,403</u>	<u>100,820,356</u>	<u>1,523,165</u>	<u>1,052,752</u>	<u>102,001,568</u>	<u>101,873,108</u>
Deferred loss on refunding	73,261	97,258	-	-	73,261	97,258
Deferred outflows - pension/OPEB	10,968,216	8,636,853	-	-	10,968,216	8,636,853
Total Deferred Outflows of Resources	<u>11,041,477</u>	<u>8,734,111</u>	<u>-</u>	<u>-</u>	<u>11,041,477</u>	<u>8,734,111</u>
Current liabilities	4,513,104	4,693,231	23,165	52,752	4,536,269	4,745,983
Long term liabilities	60,443,461	64,052,815	-	-	60,443,461	64,052,815
Total Liabilities	<u>64,956,565</u>	<u>68,746,046</u>	<u>23,165</u>	<u>52,752</u>	<u>64,979,730</u>	<u>68,798,798</u>
Deferred inflows - pension/OPEB	16,166,673	11,636,974	-	-	16,166,673	11,636,974
Total Deferred Inflows of Resources	<u>16,166,673</u>	<u>11,636,974</u>	<u>-</u>	<u>-</u>	<u>16,166,673</u>	<u>11,636,974</u>
Net Position:						
Net investment in capital assets	47,221,390	47,908,866	-	-	47,221,390	47,908,866
Unrestricted	(16,824,748)	(18,737,419)	1,500,000	1,000,000	(15,324,748)	(17,737,419)
Total Net Position	<u>\$ 30,396,642</u>	<u>\$ 29,171,447</u>	<u>\$ 1,500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 31,896,642</u>	<u>\$ 30,171,447</u>

Net investment in capital assets of \$47,221,390 reflects the Department's investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, and construction in progress), less any related debt used to acquire those assets. Although the Department's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of net position is a deficit

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amount of (\$15,324,748). The deficit reported as unrestricted is related to the net pension and OPEB liabilities (\$12.9 million and \$31.3 million) respectively.

The net position of the Department increased by \$1,725,195 for the year ended August 31, 2020. Detail of the change in the Department's net position follows:

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for services	\$ 21,459,302	\$ 21,511,437	\$ 5,952,679	\$ 8,389,674	\$ 27,411,981	\$ 29,901,111
Operating grants	25,663,841	26,730,731	-	-	25,663,841	26,730,731
General Revenues						
Property taxes	23,870,492	23,040,994	-	-	23,870,492	23,040,994
Grants and contributions not restricted	5,610,709	3,901,877	-	-	5,610,709	3,901,877
Investment Earnings	434,601	993,098	-	-	434,601	993,098
Miscellaneous	6,018,115	5,284,651	-	-	6,018,115	5,284,651
Total Revenues	83,057,060	81,462,788	5,952,679	8,389,674	89,009,739	89,852,462
Expenses						
Adult Education Program	4,638,902	4,569,273	-	-	4,638,902	4,569,273
Assistant Superintendents	555,259	576,780	-	-	555,259	576,780
Board of Trustees	164,109	177,757	-	-	164,109	177,757
Business Support Services	1,985,847	1,745,357	-	-	1,985,847	1,745,357
Center for After School, Summer & Expanded Learning	6,516,679	7,090,805	-	-	6,516,679	7,090,805
Center for Safe & Secure Schools	793,170	1,050,107	-	-	793,170	1,050,107
Center for Grant Development	583,366	567,705	-	-	583,366	567,705
Choice Partners Cooperatives	-	-	1,962,256	2,083,863	1,962,256	2,083,863
Client Engagement	434,571	644,546	-	-	434,571	644,546
Communications	832,260	837,090	-	-	832,260	837,090
Department Wide	10,549,704	6,717,410	-	-	10,549,704	6,717,410
Digital Learning	423,384	271,230	-	-	423,384	271,230
Education Certification & Professional Advancement	665,549	597,579	-	-	665,549	597,579
Education Foundation	500,626	-	-	-	500,626	-
Facility Support Services	1,566,862	1,038,146	-	-	1,566,862	1,038,146
Head Start Program	20,007,652	20,782,352	-	-	20,007,652	20,782,352
Human Resources	1,097,516	1,053,283	-	-	1,097,516	1,053,283
Interest and Fees-Long-Term Debt	230,424	274,948	-	-	230,424	274,948
Purchasing Support Services	581,023	566,986	-	-	581,023	566,986
Records Management Services	1,900,490	2,005,229	-	-	1,900,490	2,005,229
Research & Evaluation Institution	612,972	569,157	-	-	612,972	569,157
Retirement Leave Benefits	231,057	118,233	-	-	231,057	118,233
Scholastic Arts & Writing Program	142,239	139,108	-	-	142,239	139,108
School Based Therapy Services	11,360,389	10,709,672	-	-	11,360,389	10,709,672
Chief of Staff	273,876	268,564	-	-	273,876	268,564
Special Schools & Services	12,875,176	12,743,363	-	-	12,875,176	12,743,363
Superintendent's Office	564,677	523,018	-	-	564,677	523,018
Technology Support Services	4,090,248	4,098,566	-	-	4,090,248	4,098,566
The Teaching & Learning Center	1,144,261	1,351,221	-	-	1,144,261	1,351,221
Total Expenses	85,322,288	81,087,485	1,962,256	2,083,863	87,284,544	83,171,348
Increase (decrease) in net position before and transfers	(2,265,228)	375,303	3,990,423	6,305,811	1,725,195	6,681,114
Transfers	3,490,423	5,805,811	(3,490,423)	(5,805,811)	-	-
Increase (decrease) in net position	1,225,195	6,181,114	500,000	500,000	1,725,195	6,681,114
Beginning Net Position	29,171,447	22,990,333	1,000,000	500,000	30,171,447	23,490,333
Ending Net Position	\$ 30,396,642	\$ 29,171,447	\$ 1,500,000	\$ 1,000,000	\$ 31,896,642	\$ 30,171,447

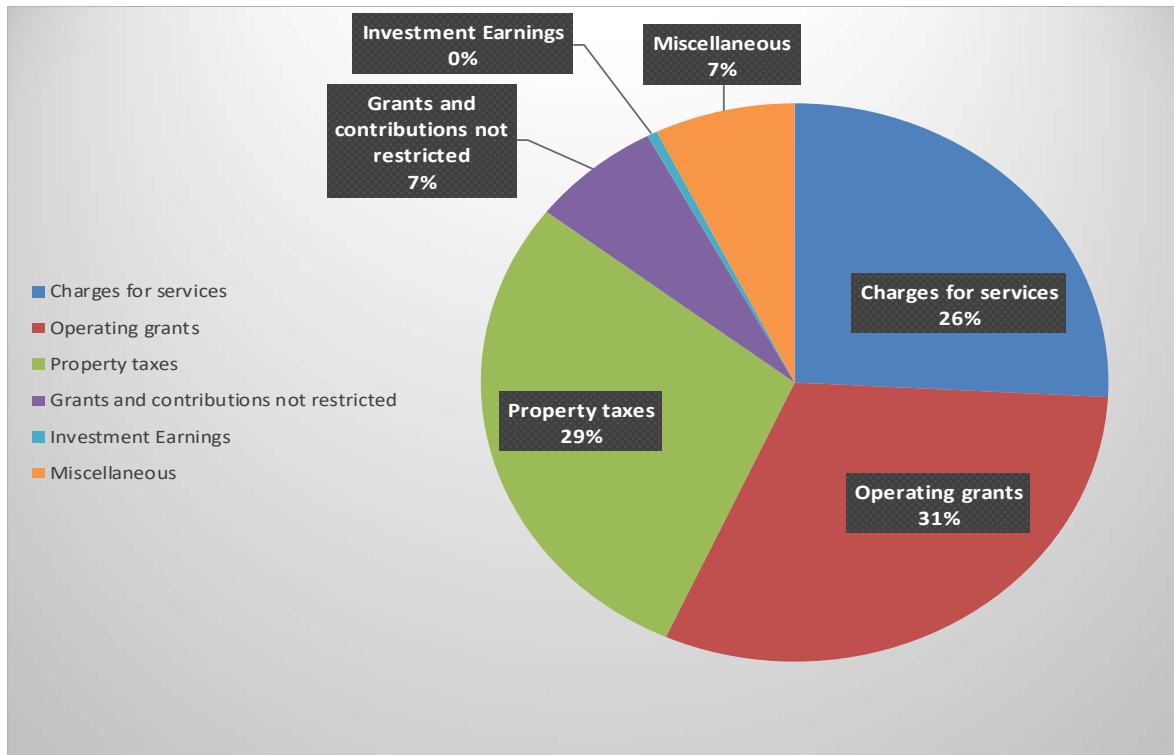
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - (continued)

Fiscal year 2020 brought about many uncertainties. Property taxes increased slightly (3.6%) due to an increase in property values. This increase along with a decreased tax rate accounted for the slight increase. Grants increased overall (2.1%) due to additional funds primarily related to COVID-19. Charges for services and investment earnings decreased slightly also related to COVID-19 which caused a decrease in trainings offered and a decrease in the market for a period.

Expenses increased approximately 5% overall due to an increase in salaries and benefits as well as materials and supplies and other costs related to COVID-19 protective measures.

Revenues for the governmental type activities are generated primarily from two sources. The first source is comprised of two groups, Operating Grants and Contributions (\$25,663,841) and Grants and Contributions Not Restricted to Specific Program (\$5,610,709) totaling \$31,274,550, represent 38 percent of total revenues and charges for services (\$21,459,302) 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 \$83,057,060



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 2020 total \$5,952,679. The decrease is related to the decrease in procurement services related to Hurricane Harvey during FY18 and 19.

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

The primary program expense of the Department is related to the Head Start Program (\$20,007,652) which represents 23.4 percent of total expenses. The special schools and services (\$12,875,176) represents 15.1 percent and school based therapy (\$11,360,389) represents 13.3 percent. The center for after-school, summer and expanded learning and the department-wide budget are each approximately 8 to 12 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 – salaries and benefits and protective measures related to COVID-19.

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 \$35,775,111, a decrease of \$7,439,376 in comparison with the prior year. The net decrease of the combined fund balances was comprised of a fund balance increase in the General Fund of \$221,101 and a decrease of \$7,660,477 in the PFC Capital Projects Fund. Out of the combined fund balances, \$17,103,242 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 \$177,243, restricted fund balance of \$2,939,650, committed fund balance of \$2,014,976 and assigned fund balance of \$13,540,000. Please refer to Exhibit B-1.

The general fund is the main operating fund of Harris County Department of Education. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,103,242, while total fund balance was \$32,835,461. 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 36 percent of total general fund expenditures, while total fund balance represents 68 percent of that same amount.

The fund balance in the general fund increased \$221,101 during the current fiscal year primarily due to an increase in local revenues and a transfer in from the Choice Partner fund. Expenditures increased approximately the same percentage as revenues due to the management of expenditures. During the year when COVID-19 created many uncertainties and some additional costs, the slight increase in fund balance compared to the PY increase of \$3.2 million is expected.

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

The fund balance for the PFC Capital Project Funds decreased by \$7,660,477 due to the completion of large 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 \$658,795. The Department's major budget amendments during the year were associated with increases in service agreement fees for the Teaching & Learning Center, Business Services, Center for Safe and Secure Schools, and AB School West (\$613,000).

At year end, local fees for services from various divisions were below the revenue budget by \$2.1 million due to less services needed from school districts. Tax revenues were \$995 thousand less than budgeted due to collections and protested values. Donations and investment revenues were \$62 thousand less than budgeted due to COVID-19 impact on economy and interest rates. The state revenues exceeded budget by approximately \$535 thousand mainly due to receiving more than anticipated on behalf of the TRS Active Care funding. The grant related revenues exceeded the anticipated budget by approximately \$278 thousand 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 \$3,468,992 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:

- \$1,500,000 for COVID-19 emergency expenditures
- \$720,992 for Department Wide, Business Services, Technology, ABS West & CASE
- \$500,000 for Education Foundation
- \$250,000 for Head Start Baytown park lot
- \$173,000 for Center for Safe & Secure Schools
- \$115,000 for Teaching & Learning Center
- \$110,000 for ABS East and ABS West 2 FTE shared personnel
- \$100,000 for 2 Facilities Asset replacement vans

There was a \$ 9,172,091 difference between the final amended budget and actual expenditures. The significant differences are summarized below:

- \$3,222,957 Construction Transfer under budget
- \$239,702 Head Start transfer under budget
- \$129,723 CASE transfer under budget
- \$4,789,519 under budget in Therapy, Special Schools, Business Services, Technology, and Facilities Asset Replacement

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

Capital Assets and Long-Term Liabilities

Capital Assets- At the end of fiscal year 2020, Harris County Department of Education had \$57,760,411 (net of accumulated depreciation of \$31,474,886) 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 \$7,227,552 , a 14% increase.

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,539,276	\$ 2,539,276	\$ -	\$ -	\$ 2,539,276	\$ 2,539,276
Buildings and Improvements	52,667,027	40,705,010	-	-	52,667,027	40,705,010
Furniture and Equipment	2,051,782	2,982,117	-	-	2,051,782	2,982,117
Construction in Progress	502,326	4,306,456	-	-	502,326	4,306,456
Total	\$ 57,760,411	\$ 50,532,859	\$ -	\$ -	\$ 57,760,411	\$ 50,532,859

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

- \$3.8 million decrease to Construction in Progress is related primarily to the completion of ABS West campus
- \$11.7 million increase in buildings and improvements related to ABS West
- 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 \$10,612,282 consisting of \$9,250,000 of lease revenue bonds, \$1,354,286 of Qualified Zone Academy Bonds, and \$7,996 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	
	2020	2019	2020	2019	2020	2019
Bonds and Notes Payable, net	\$ 10,612,282	\$ 13,321,378	\$ -	\$ -	\$ 10,612,282	\$ 13,321,378
Other Long-Term Liabilities	5,620,302	5,402,875	-	-	5,620,302	5,402,875
Net Pension Liability (Department)	12,914,733	13,093,794	-	-	12,914,733	13,093,794
Net OPEB Liability (Department Share)	31,296,144	32,234,768	-	-	31,296,144	32,234,768
Total	\$ 60,443,461	\$ 64,052,815	\$ -	\$ -	\$ 60,443,461	\$ 64,052,815

During the year ended August 31, 2020, the Department's total long-term liabilities had a net decrease of \$3,609,354 (5.6 percent) due to a decrease in the bonds payable, 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 Aa1 by Moody's and AAA from Standard and Poor's. The underlying rating on the Department's notes is Aaa 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
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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 44 percent of fiscal year 2020-2021 total estimated revenue.
- The unemployment rate for Harris County was 7.7 percent in October 2020 while the national rate averaged 6.9 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 2021 general fund budget and tax rate. The adopted budget is based on the following significant assumptions:

- Estimated revenues from current tax revenues are \$25,023,000, an increase of 3 percent from the final fiscal year 2020 budget of \$24,285,312, based on an increase commercial property appraisal values, as estimated by the Harris County Appraisal District.
- Fiscal year 2021 general fund expenditures are budgeted at \$69,073,522, an approximate increase of 9 percent from the final fiscal year 2020 budget of \$63,583,793.
- The FY21 budget adopted was a balanced budget with use of assigned fund balance. The final fiscal year 2020 general fund budget projected a decrease of \$4,890,736 total fund balance. During the current fiscal year, unassigned fund balance in the general was \$17,134,251. The tax rate of \$0.004993 per \$100 appraised/taxable property was adopted for fiscal year 2020-2021.

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 31 percent of total budgeted appropriations including other uses for fiscal year 2020. The projected year fiscal year 2021 total fund balance of the general fund is \$15,574,663.

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.





Basic Financial Statements

HARRIS COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF NET POSITION
August 31, 2020

Exhibit A-1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 35,850,308	\$ 532,103	\$ 36,382,411
Property taxes receivable (net)	963,691	-	963,691
Due from other governments	3,776,275	-	3,776,275
Other receivables	1,512,297	991,062	2,503,359
Inventories	132,160	-	132,160
Prepaid items	483,261	-	483,261
Capital Assets:			
Land	2,539,276	-	2,539,276
Construction in Progress	502,326	-	502,326
Buildings and improvements	72,967,651	-	72,967,651
Furniture and equipment	13,226,044	-	13,226,044
Accumulated depreciation	(31,474,886)	-	(31,474,886)
Total Assets	100,478,403	1,523,165	102,001,568
Deferred Outflows of Resources			
Deferred outflows on bond refunding	73,261	-	73,261
Deferred outflow related to OPEB	4,648,482	-	4,648,482
Deferred outflow related to pension	6,319,734	-	6,319,734
Total Deferred outflows of resources	11,041,477	-	11,041,477
Liabilities			
Accounts payable	2,587,190	4,369	2,591,559
Payroll deductions payable	1,268,198	-	1,268,198
Accrued wages payable	91,649	-	91,649
Accrued interest payable	8,138	-	8,138
Due to Other Governments	60,571	696	61,267
Unearned revenues	497,358	18,100	515,458
Long-term Liabilities			
Due within one year	3,913,478	-	3,913,478
Due in more than one year	12,319,106	-	12,319,106
Net OPEB Liability (Department's Share)	31,296,144	-	31,296,144
Net Pension Liability (Department's Share)	12,914,733	-	12,914,733
Total Liabilities	64,956,565	23,165	64,979,730
Deferred Inflows of Resources			
Deferred inflow related to OPEB	13,595,373	-	13,595,373
Deferred inflow related to pension	2,571,300	-	2,571,300
Total Deferred inflows of resources	16,166,673	-	16,166,673
Net Position			
Net investment in capital assets	47,221,390	-	47,221,390
Unrestricted	(16,824,748)	1,500,000	(15,324,748)
Total Net Position	\$ 30,396,642	\$ 1,500,000	\$ 31,896,642



HARRIS COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

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
Primary Government						
Governmental Activities:						
Adult Education Program	\$ 4,638,902	\$ -	\$ 4,265,919	\$ (372,983)	\$ -	\$ (372,983)
Assistant Superintendents	555,259	-	-	(555,259)	-	(555,259)
Board of Trustees	164,109	-	-	(164,109)	-	(164,109)
Business Support Services	1,985,847	245,754	-	(1,740,093)	-	(1,740,093)
Expanded Learning	6,516,679	83,560	4,460,126	(1,972,993)	-	(1,972,993)
Center for Safe & Secure Schools	793,170	273,972	104,349	(414,849)	-	(414,849)
Center for Grant Development	583,366	1,515	-	(581,851)	-	(581,851)
Client Engagement	434,571	-	-	(434,571)	-	(434,571)
Communications	832,260	-	-	(832,260)	-	(832,260)
Department Wide	10,549,704	35,711	2,769,745	(7,744,248)	-	(7,744,248)
Digital Learning	423,384	-	1,596	(421,788)	-	(421,788)
Education Certification & Professional Advancement	665,549	113,982	17,000	(534,567)	-	(534,567)
Education Foundation	500,626	-	-	(500,626)	-	(500,626)
Facility Support Services	1,566,862	-	-	(1,566,862)	-	(1,566,862)
Head Start Program	20,007,652	140	14,045,106	(5,962,406)	-	(5,962,406)
Human Resources	1,097,516	-	-	(1,097,516)	-	(1,097,516)
Interest and Fees-Long-Term Debt	230,424	-	-	(230,424)	-	(230,424)
Purchasing Support Services	581,023	-	-	(581,023)	-	(581,023)
QZAB	-	-	-	-	-	-
Records Management Services	1,900,490	1,868,784	-	(31,706)	-	(31,706)
Research & Evaluation Institution	612,972	91,499	-	(521,473)	-	(521,473)
Retirement Leave Benefits	231,057	-	-	(231,057)	-	(231,057)
Scholastic Arts & Writing Program	142,239	-	-	(142,239)	-	(142,239)
School Based Therapy Services	11,360,389	8,892,942	-	(2,467,447)	-	(2,467,447)
Chief of Staff	273,876	-	-	(273,876)	-	(273,876)
Special Schools & Services	12,875,176	9,022,523	-	(3,852,653)	-	(3,852,653)
Superintendent's Office	564,677	-	-	(564,677)	-	(564,677)
Technology Support Services	4,090,248	-	-	(4,090,248)	-	(4,090,248)
The Teaching & Learning Center	1,144,261	828,920	-	(315,341)	-	(315,341)
Total Governmental Activities	85,322,288	21,459,302	25,663,841	(38,199,145)	-	(38,199,145)
Business-Type Activities:						
Choice Partners Cooperative	1,962,256	5,952,679	-	-	3,990,423	3,990,423
Total Business-Type Activities	1,962,256	5,952,679	-	-	3,990,423	3,990,423
Total Primary Government	\$ 87,284,544	\$ 27,411,981	\$ 25,663,841	(38,199,145)	3,990,423	(34,208,722)
General Revenues:						
Property Taxes, Levied for General Purposes				23,870,492	-	23,870,492
Grants and Contributions Not Restricted to Specific Program				5,610,709	-	5,610,709
Investment Earnings				434,601	-	434,601
Miscellaneous				6,018,115	-	6,018,115
Transfers				3,490,423	(3,490,423)	-
Total General Revenues				39,424,340	(3,490,423)	35,933,917
Change in Net Position				1,225,195	500,000	1,725,195
Net Position-Beginning				29,171,447	1,000,000	30,171,447
Net Position-Ending				\$ 30,396,642	\$ 1,500,000	\$ 31,896,642

HARRIS COUNTY DEPARTMENT OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2020

Exhibit B-1
Page 1 of 2

	General Fund	Head Start Program	Head Start Op & Training	Head Start Disaster Recovery
Assets				
Cash and cash equivalents	\$ 30,494,374	\$ -	\$ 1,975	\$ 955,286
Property taxes receivable	983,358	-	-	-
Allowance for uncollectible taxes	(19,667)	-	-	-
Due from other governments	261,088	152,101	785,016	304,375
Due from other funds	2,684,013	-	-	-
Other receivables	1,901,542	-	15	-
Allowance for uncollectible receivables	(400,000)	-	-	-
Inventories	132,160	-	-	-
Prepaid Items	45,084	-	54,754	-
Total Assets	\$ 36,081,952	\$ 152,101	\$ 841,760	\$ 1,259,661
Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities:				
Accounts payable	\$ 836,893	\$ 4,485	\$ 13,023	\$ 85,088
Payroll Deductions Payable	1,268,198	-	-	-
Accrued wages payable	49,282	-	1,975	-
Due to other funds	-	147,616	826,762	1,174,573
Due to other governments	60,571	-	-	-
Unearned revenues-other	67,856	-	-	-
Total Liabilities	2,282,800	152,101	841,760	1,259,661
Deferred Inflows of Resources				
Unavailable revenue-property taxes	963,691	-	-	-
Total Deferred Inflows of Resources	963,691	-	-	-
Fund Balances:				
Nonspendable:				
Inventory	132,160	-	-	-
Prepaid Items	45,083	-	-	-
Restricted:				
PFC Construction Projects	-	-	-	-
Committed:				
Capital Projects	1,314,976	-	-	-
Retirement Employee Leave	500,000	-	-	-
Unemployment Liability	200,000	-	-	-
Assigned:				
Building & Vehicle Replacement Acquisition	1,700,000	-	-	-
Asset Replacement & Acquisition	1,000,000	-	-	-
Local Construction	5,740,000	-	-	-
QZAB Payment	691,129	-	-	-
PFC Lease Payment	2,558,871	-	-	-
Workforce Development	1,000,000	-	-	-
New Program Initiative	850,000	-	-	-
Unassigned	17,103,242	-	-	-
Total Fund Balances	32,835,461	-	-	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 36,081,952	\$ 152,101	\$ 841,760	\$ 1,259,661

HARRIS COUNTY DEPARTMENT OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2020

Exhibit B-1
Page 2 of 2

	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,368,739	\$ 676,184	\$ 34,496,558
Property taxes receivable	-	-	983,358
Allowance for uncollectible taxes	-	-	(19,667)
Due from other governments	-	2,283,483	3,786,063
Due from other funds	1,174,573	-	3,858,586
Other receivables	2,281	8,459	1,912,297
Allowance for uncollectible receivables	-	-	(400,000)
Inventories	-	-	132,160
Prepaid Items	-	9,898	109,736
Total Assets	<u>\$ 3,545,593</u>	<u>\$ 2,978,024</u>	<u>\$ 44,859,091</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities:			
Accounts payable	\$ 605,943	\$ 795,800	\$ 2,341,232
Payroll Deductions Payable	-	-	1,268,198
Accrued wages payable	-	33,299	84,556
Due to other funds	-	1,709,635	3,858,586
Due to other governments	-	9,788	70,359
Unearned revenues-other	-	429,502	497,358
Total Liabilities	<u>605,943</u>	<u>2,978,024</u>	<u>8,120,289</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	-	963,691
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>963,691</u>
Fund Balances:			
Nonspendable:			
Inventory	-	-	132,160
Prepaid Items	-	9,898	54,981
Restricted:			
PFC Construction Projects	2,939,650	-	2,939,650
Committed:			
Capital Projects	-	-	1,314,976
Retirement Employee Leave	-	-	500,000
Unemployment Liability	-	-	200,000
Assigned:			
Building & Vehicle Replacement Acquisition	-	-	1,700,000
Asset Replacement & Acquisition	-	-	1,000,000
Local Construction	-	-	5,740,000
QZAB Payment	-	-	691,129
PFC Lease Payment	-	-	2,558,871
Workforce Development	-	-	1,000,000
New Program Initiative	-	-	850,000
Unassigned	-	(9,898)	17,093,344
Total Fund Balances	<u>2,939,650</u>	<u>-</u>	<u>35,775,111</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,545,593</u>	<u>\$ 2,978,024</u>	<u>\$ 44,859,091</u>



HARRIS COUNTY DEPARTMENT OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
August 31, 2020

Exhibit B-2

Total Fund Balances-Governmental Funds (Exhibit B-1)	\$ 35,775,111
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. The governmental capital assets cost of \$86,193,695 exceeds the related accumulated depreciation of \$31,474,886.	57,760,411
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.	963,691
Deferred Outflows and Inflows of Resources related to the Pension Standards of \$6,319,734 and \$2,571,300 respectively	3,748,434
Deferred Outflows and Inflows of Resources related to the OPEB Standards of \$4,648,482 and \$13,595,373 respectively	(8,946,891)
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	\$ (10,604,286)
Accrued Interest on Bonds and Notes Payable	(8,138)
Premium on Bonds	(7,996)
Net Pension Liability	(12,914,733)
Net OPEB Liability	(31,296,144)
Compensated Absences	<u>(5,504,555)</u>
	(60,335,852)
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	73,261
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	<u>1,358,477</u>
Total Net Position-Governmental Activities (Exhibit A-1)	<u><u>\$ 30,396,642</u></u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

Exhibit B-3
Page 1 of 2

	General Fund	Head Start Program	Head Start Op & Training	Head Start Disaster Recovery
Revenues				
Local and Intermediate Sources	\$ 45,562,632	\$ 1,064	\$ -	\$ -
State Programs	3,584,814	-	-	-
Federal Programs	2,025,895	9,936,308	1,689,253	304,375
Total Revenues	<u>51,173,341</u>	<u>9,937,372</u>	<u>1,689,253</u>	<u>304,375</u>
Expenditures				
Current:				
Adult Education Program	158,879	-	-	-
Assistant Superintendents	547,900	-	-	-
Board of Trustees	164,109	-	-	-
Business Support Services	1,972,397	-	-	-
Center for After-School, Summer & Expanded Learning	759,894	-	-	-
Center for Safe & Secure Schools	663,196	-	-	-
Center for Grant Development	577,154	-	-	-
Client Engagement	428,764	-	-	-
Communications	824,797	-	-	-
Department Wide	6,912,227	-	-	-
Digital Education & Innovation	396,116	-	-	-
Education Certification & Professional Advancement	643,281	-	-	-
Education Foundation	500,600	-	-	-
Facility Support Services	259,048	-	-	-
Head Start Program	2,221	10,547,670	1,939,253	304,375
Human Resources	1,088,712	-	-	-
Purchasing Support Services	569,878	-	-	-
Records Management Services	1,818,947	-	-	-
Research & Evaluation Institute	605,731	-	-	-
Retirement Leave Benefits	231,057	-	-	-
Scholastic Arts & Writing Program	142,239	-	-	-
School Based Therapy Services	11,119,162	-	-	-
Chief of Staff	273,568	-	-	-
Special Schools & Services	12,214,320	-	-	-
Superintendent's Office	558,927	-	-	-
Special Schools Administration	52,412	-	-	-
Technology Support Services	3,552,065	-	-	-
The Teaching & Learning Center	1,132,175	-	-	-
PFC Capital Projects	-	-	-	-
Debt Service:				
Principal on Long-Term Debt	-	-	-	-
Interest on Long-Term Debt	-	-	-	-
Bond Issuance Costs	-	-	-	-
Bond Issuance Costs & Fees-QZAB & MTN	-	-	-	-
Total Expenditures	<u>48,169,776</u>	<u>10,547,670</u>	<u>1,939,253</u>	<u>304,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,003,565</u>	<u>(610,298)</u>	<u>(250,000)</u>	<u>-</u>
Other Financing Sources (uses)				
Sale of Equipment	-	-	-	-
Transfers In	3,490,423	610,298	250,000	-
Issuance of Bonds	-	-	-	-
Payment to Bond Refunding Escrow Agent	-	-	-	-
Transfers Out	(6,272,887)	-	-	-
Total Other Financing Sources (Uses)	<u>(2,782,464)</u>	<u>610,298</u>	<u>250,000</u>	<u>-</u>
Net Change in Fund Balances	221,101	-	-	-
Fund Balances-Beginning	32,614,360	-	-	-
Prior Period Adjustment	-	-	-	-
Fund Balances-Ending	<u>\$ 32,835,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

Exhibit B-3
Page 2 of 2

	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local and Intermediate Sources	\$ 60,960	\$ 5,154,711	\$ 50,779,367
State Programs	-	-	3,584,814
Federal Programs	-	10,964,160	24,919,991
Total Revenues	<u>60,960</u>	<u>16,118,871</u>	<u>79,284,172</u>
Expenditures			
Current:			
Adult Education Program	5,009	4,265,919	4,429,807
Assistant Superintendents	2,359	-	550,259
Board of Trustees	-	-	164,109
Business Support Services	4,450	-	1,976,847
Center for After-School, Summer & Expanded Learning	-	5,671,740	6,431,634
Center for Safe & Secure Schools	971	118,003	782,170
Center for Grant Development	1,212	-	578,366
Client Engagement	807	-	429,571
Communications	1,806	-	826,603
Department Wide	225,626	-	7,137,853
Digital Education & Innovation	-	1,596	397,712
Education Certification & Professional Advancement	268	17,000	660,549
Education Foundation	-	-	500,600
Facility Support Services	23,379	-	282,427
Head Start Program	0	6,451,812	19,245,331
Human Resources	3,804	-	1,092,516
Purchasing Support Services	6,145	-	576,023
Records Management Services	-	-	1,818,947
Research & Evaluation Institute	2,241	-	607,972
Retirement Leave Benefits	-	-	231,057
Scholastic Arts & Writing Program	-	-	142,239
School Based Therapy Services	15,840	-	11,135,002
Chief of Staff	308	-	273,876
Special Schools & Services	7,652,055	3,990	19,870,365
Superintendent's Office	242	-	559,169
Texas Virtual Schools Network	-	-	52,412
Technology Support Services	9,316	-	3,561,381
The Teaching & Learning Center	242	9,875	1,142,292
PFC Capital Projects	1,839,271	-	1,839,271
Debt Service:			
Principal on Long-Term Debt	-	2,706,429	2,706,429
Interest on Long-Term Debt	-	211,182	211,182
Bond Issuance Costs	-	-	-
Bond Issuance Costs & Fees-QZAB & MTN	-	-	-
Total Expenditures	<u>9,795,351</u>	<u>19,457,546</u>	<u>90,213,971</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,734,391)</u>	<u>(3,338,675)</u>	<u>(10,929,799)</u>
Other Financing Sources (uses)			
Sale of Equipment	-	-	-
Transfers In	2,073,914	3,338,675	9,763,310
Issuance of Bonds	-	-	-
Payment to Bond Refunding Escrow Agent	-	-	-
Transfers Out	-	-	(6,272,887)
Total Other Financing Sources (Uses)	<u>2,073,914</u>	<u>3,338,675</u>	<u>3,490,423</u>
Net Change in Fund Balances	(7,660,477)	-	(7,439,376)
Fund Balances-Beginning	10,600,127	-	43,214,487
Prior Period Adjustment	-	-	-
Fund Balances-Ending	<u>\$ 2,939,650</u>	<u>\$ -</u>	<u>\$ 35,775,111</u>

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, 2020

Exhibit B-4

Total Net Change in Fund Balances-Governmental Funds (Exhibit B-3):	\$ (7,439,376)
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 \$9,465,689 exceeds depreciation expense of \$1,881,508 in the period	7,584,181
Net loss on disposal of assets is not recorded in the fund financial statements but is included in the government-wide statements	(356,629)
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	1,598,406
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	475,924
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,706,429
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 increased by this amount this year	162,991
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	\$ 2,088
Amortization of Bond Premium	2,667
Amortization of deferred charge on refunding	<u>(23,997)</u>
	(19,242)
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.	(229,163)
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.	(103,345)
Pension expense for the plan measurement year	(2,207,191)
OPEB expense for the current year	<u>(947,790)</u>
Change in Net Position of Governmental Activities (Exhibit A-2):	<u><u>\$ 1,225,195</u></u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
August 31, 2020

Exhibit B-5

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Choice Partners</u>	<u>Internal Service Funds</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 532,103	\$ 1,353,750
Due from Vendors	991,062	-
Prepaid Items	-	373,525
Total Assets	<u>1,523,165</u>	<u>1,727,275</u>
Liabilities		
Current Liabilities:		
Accounts payable	4,369	245,958
Accrued wages payable	-	7,093
Claims Payable - due within one year	-	115,747
Due to other governments	696	-
Unearned Revenues	18,100	-
Total Liabilities	<u>23,165</u>	<u>368,798</u>
Net Position		
Unrestricted	<u>1,500,000</u>	<u>1,358,477</u>
Total Net Position	<u>\$ 1,500,000</u>	<u>\$ 1,358,477</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended August 31, 2020

Exhibit B-6

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Choice Partners</u>	<u>Internal Service Funds</u>
Operating Revenues		
Charges for Services	\$ 5,952,679	\$ 5,243,073
Total Operating Revenues	<u>5,952,679</u>	<u>5,243,073</u>
Operating Expenses		
Payroll Costs	1,438,373	2,631,243
Professional Services	264,158	1,505,225
Supplies and Materials	43,561	271,735
Administrative	45,083	938,215
Facility Support Charges	63,485	-
Travel and Meeting Costs	73,324	-
Advertising and Notices	34,272	-
Total Operating Expenses	<u>1,962,256</u>	<u>5,346,418</u>
Operating Income	3,990,423	(103,345)
Transfer Out	<u>(3,490,423)</u>	<u>-</u>
Change in net position	500,000	(103,345)
Total Net Position-Beginning	<u>1,000,000</u>	<u>1,461,822</u>
Total Net Position-Ending	<u><u>\$ 1,500,000</u></u>	<u><u>\$ 1,358,477</u></u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended August 31, 2020

Exhibit B-7

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Choice Partners</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 5,797,700	\$ -
Receipts from operating activities with other funds	-	5,263,771
Payments to employees	(1,438,373)	(2,633,619)
Payments to suppliers	(553,470)	(2,334,698)
Payments for workers' compensation claims	-	(379,202)
Net cash provided by (used by) operating activities	<u>3,805,857</u>	<u>(83,748)</u>
Cash Flows for Noncapital Financing Activities		
Transfer to General Fund	<u>(3,490,423)</u>	-
Net Cash Flows used for Noncapital Financing Activities	<u>(3,490,423)</u>	-
Net increase (decrease) in cash and cash equivalents	315,434	(83,748)
Cash and cash equivalents at beginning of year	<u>216,669</u>	<u>1,437,498</u>
Cash and cash equivalents at end of year	<u>\$ 532,103</u>	<u>\$ 1,353,750</u>
Reconciliation of Operating Income to Net Cash		
Provided by (Used for) Operating Activities:		
Operating income	3,990,423	(103,345)
Changes in Assets and Liabilities		
Decrease (increase) in prepaid items	-	21,419
Decrease (increase) in accounts receivable	(154,979)	-
Increase (decrease) in accounts payable	(9,443)	(8,408)
Increase (decrease) in accrued wages payable	-	(2,376)
Increase (decrease) in interfund payables	-	20,698
Increase (decrease) in claims payable	-	(11,736)
Increase (decrease) in due to others	(20,144)	-
Net cash provided (used) by operating activities	<u>\$ 3,805,857</u>	<u>\$ (83,748)</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
August 31, 2020

Exhibit B-8

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 36,249
Total Assets	<u>\$ 36,249</u>
Liabilities	
Accounts payable	\$ 26,927
Due to student groups	<u>9,322</u>
Total Liabilities	<u>\$ 36,249</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.

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

Head Start Disaster Recovery Fund, a Special Revenue Fund, is used to account for funds granted for the one-time funds to prevent, prepare for and respond to coronavirus disease 2019 (COVID-19) 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, 2020. 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 2019 (fiscal year 2020) was \$0.005000 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 1st 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 \$2,939,650 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 \$17,103,242 which is 36 percent of the fiscal year 2020 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

- No new standards were implemented in the current year.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Data

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

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

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

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

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

B. Encumbrances

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

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

Note 3 - Deposits and Investments

The Department's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act and local Board policy. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the Department's and the depository bank's agent bank. The pledged securities shall be in an amount sufficient to protect Department funds 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 2020, the Department invested in the Texas Local Government Investment Pool (TexPool), Lone Star Investment Pool, and Texas Short Term Asset Reserve Program (TexSTAR) and Texas CLASS. These external pools operate like a "2a7" pool (except TexSTAR) and these investments are carried at amortized cost in accordance with GASB 31. The fair value of the Department's position in the above pools is the same as the value of the pool shares.

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

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

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

Note 3 - Deposits and Investments (continued)

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as a local government investment pool (LGIP) pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian.

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 TexSTAR and Texas CLASS were all rated AAAM by Standard & Poor's as required by the Public Fund Investments Act.

Concentration of credit risk

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

Note 3 - Deposits and Investments (continued)

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, 2020, the carrying amount of the Department’s deposits was \$3,492,951 and the bank balance was \$4,525,769. The Department’s entire bank balance on August 31, 2020, 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, 2020, the Department held the following deposits (cash) and investments:

<u>Cash and Cash Equivalents</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage of Portfolio</u>	<u>S&P Credit Quality Rating</u>
Governmental Activities				
Cash and Deposits	\$ 2,924,599		8.03%	N/A
Public Funds Investment Pools:				
TexSTAR	6,469,258	29	17.76%	AAAm
Lone Star	8,165,143	24	22.42%	AAAm
TexPool	9,100,913	27	24.99%	AAAm
Texas Class	9,190,395	54	25.24%	AAAm
Total Public Funds Investment Pools:	<u>32,925,709</u>			
Total Governmental Activities	<u>35,850,308</u>			
Business-Type Activities	532,103		1.46%	N/A
Fiduciary Funds	36,249		0.10%	N/A
Total Cash and Cash Equivalents	<u>\$ 36,418,660</u>		<u>100.00%</u>	

Portfolio Weighted Average Maturity 34

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

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

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>Head Start Operations & Training</u>	<u>Head Start Disaster Recovery</u>	<u>Capital Projects Fund</u>	<u>Nonmajor & Other Funds</u>	<u>Total</u>
Receivables:							
Property taxes	\$ 983,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 983,358
Due from other governments:							
Federal	261,088	152,101	785,016	304,375	-	2,283,483	3,786,063
Other receivables	<u>1,901,542</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>2,281</u>	<u>8,459</u>	<u>1,912,297</u>
Gross Receivables	3,145,988	152,101	785,031	304,375	2,281	2,291,942	6,681,718
Less: Allowance for uncollectible taxes	(19,667)	-	-	-	-	-	(19,667)
Less: Allowance for uncollectible receivables	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
	<u>\$ 2,726,321</u>	<u>\$ 152,101</u>	<u>\$ 785,031</u>	<u>\$ 304,375</u>	<u>\$ 2,281</u>	<u>\$ 2,291,942</u>	<u>\$ 6,262,051</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, 2020, 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)	\$ 963,691	\$ -
Grant Revenues Received but not Expended for Governmental Funds	<u>-</u>	<u>497,358</u>
	<u>\$ 963,691</u>	<u>\$ 497,358</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, 2020, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 2,684,013	\$ -
Head Start Program - Special Revenue Fund	-	147,616
Head Start - Operations and Training - Special Revenue Fund	-	826,762
Head Start Disaster Recovery - Special Revenue Fund	-	1,174,573
Capital Projects Fund	1,174,573	-
Non-Major Funds		<u>1,709,635</u>
Total Governmental Funds	<u><u>\$ 3,858,586</u></u>	<u><u>\$ 3,858,586</u></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, 2020:

\$ 3,338,675	From the General Fund to the Non-Major Funds to fund the local match and routine debt service payments
610,298	From the General Fund to Head Start
250,000	From the General Fund to Head Start Operations & Training
2,073,914	From the General Fund to the PFC Capital Project
<u>3,490,423</u>	From the Enterprise fund to the General Fund to support HCDE programs
<u><u>\$ 9,763,310</u></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, 2020, are as follows:

	Beginning Balance	Additions	Transfers, Adjustments and Deletions	Ending Balance
Governmental Activities:				
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	4,306,456	7,919,630	(11,723,760)	502,326
Total Capital Assets, not being Depreciated	<u>6,845,732</u>	<u>7,919,630</u>	<u>(11,723,760)</u>	<u>3,041,602</u>
Capital Assets being Depreciated:				
Buildings and Improvements-GF	28,637,696	956,029	1,380,491	30,974,216
Buildings and Improvements-PFC	31,954,413	-	10,039,022	41,993,435
Furniture and Equipment-GF	13,524,941	590,030	(888,927)	13,226,044
Total Capital assets, being Depreciated	<u>74,117,050</u>	<u>1,546,059</u>	<u>10,530,586</u>	<u>86,193,695</u>
Less Accumulated Depreciation for:				
Building and Improvements-GF	(6,103,592)	(670,933)	(4,331,313)	(11,105,838)
Building and Improvements-PFC	(13,783,507)	(543,692)	5,132,413	(9,194,786)
Furniture and Equipment-GF	(10,542,824)	(666,883)	35,445	(11,174,262)
Total Accumulated Depreciation	<u>(30,429,923)</u>	<u>(1,881,508)</u>	<u>836,545</u>	<u>(31,474,886)</u>
Total Capital assets, being Depreciated, net	<u>43,687,127</u>	<u>(335,449)</u>	<u>11,367,131</u>	<u>54,718,809</u>
Total Governmental Activities				
Capital Assets, net	<u>\$ 50,532,859</u>	<u>\$ 7,584,181</u>	<u>\$ (356,629)</u>	<u>\$ 57,760,411</u>

During the current year, accumulated depreciation was -re-classed between categories to reflect the ending balances in each category.

Construction Commitments

The Department has active construction project as of August 31, 2020. Construction in progress at year consisted of playground equipment in the amount of \$502,326. 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	794,136
Technology Support Services	306,344
Digital Learning	26,901
Department Wide	42,795
Special Schools and Services	440,176
Adult Education Program	40,639
The Teaching and Learning Center	5,615
Fortis Academy	0
Head Start Program	147,937
Center for After-School, Summer and Expanded Learning	7,196
Communications	657
Records Management Services	68,604
Total Depreciation Expense	<u><u>1,881,508</u></u>

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
Governmental Activities					
Bonds and Notes Payable:					
Lease Revenue Bonds	\$ 11,505,000	\$ -	\$ (2,255,000)	\$ 9,250,000	\$ 2,305,000
Qualified Zone Academy Bonds	1,805,713	-	(451,427)	1,354,286	451,429
Plus:					
Issuance Premiums	10,663	-	(2,667)	7,996	-
Total Bonds and Notes Payable, net	<u>13,321,376</u>	<u>-</u>	<u>(2,709,094)</u>	<u>10,612,282</u>	<u>2,756,429</u>
Workers' Compensation	127,483	-	(11,736)	115,747	115,747
Compensated Absences	5,275,392	460,220	(231,057)	5,504,555	1,041,302
Net OPEB Liability (Department's Share)	32,234,768	938,624	(1,877,248)	31,296,144	-
Net Pension Liability (Department's Share)	13,093,794	179,061	(358,122)	12,914,733	-
Total Long-term Liabilities	<u><u>\$ 64,052,813</u></u>	<u><u>\$ 1,577,905</u></u>	<u><u>\$ (5,187,257)</u></u>	<u><u>\$ 60,443,461</u></u>	<u><u>\$ 3,913,478</u></u>

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 contributed approximately \$5,000,000 toward the total cost of the project. The last bond payment is due in year 2026. The Department’s lease payments are appropriated annually on the Department’s General Fund as a transfer out to the Debt Service Fund. Payments are made out of the Debt Service Fund each fiscal year to retire the PFC’s debt on the projects. The PFC meets the criteria for a blended component unit under GASB Statement No. 39, and the bond project expenditures are reported as Capital Projects Fund. Under the Government-wide financial statements, the PFC debt is combined and reported as total debt for the organization.

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, 2020. The Department’s general obligation maintenance tax debt payable and lease revenue as of August 31, 2020, 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	\$ 5,190,000	\$ -	\$ (1,260,000)	\$ 3,930,000
2015	Lease Revenue Refunding	4,255,000	4.13-5.75%	2/15/2023	1,300,000	-	(310,000)	990,000
2016	Lease Revenue Bond	7,000,000	1.68%	2/15/2026	5,015,000	-	(685,000)	4,330,000
2009A	QZAB *	6,320,000	0.00%	8/31/2023	1,805,713	-	(451,427)	1,354,286
Totals					13,310,713	-	(2,706,427)	10,604,286
	Plus: Issuance Premiums				10,663	-	(2,667)	7,996
Totals					<u>\$ 13,321,376</u>	<u>\$ -</u>	<u>\$ (2,709,094)</u>	<u>\$ 10,612,282</u>

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, 2020 to maturity.

Lease Revenue Bonds (PFC Long Term Debt)

Years Ended August 31	Principal	Interest	Total Requirements
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	740,000	18,648	758,648
2026-2030	740,000	6,216	746,216
Totals:	\$ 9,250,000	\$ 393,901	\$ 9,643,901

Qualified Zone Academy Bonds & Maintenance Tax Notes

Years Ended August 31	Principal	Interest	Total Requirements
2021	\$ 451,429	\$ -	\$ 451,429
2022	451,429	-	451,429
2023	451,428	-	451,428
Totals:	\$ 1,354,286	\$ -	\$ 1,354,286

Annual debt service requirements to maturity for the lease revenue bonds, QZABs, and maintenance tax notes are as follows (PFC Long Term debt is combined with the QZAB and maintenance tax note debt in the Government-Wide financial statements):

Years Ended August 31	Principal	Interest	Total Requirements
2021	\$ 2,756,429	\$ 162,614	\$ 2,919,043
2022	2,801,429	113,032	2,914,461
2023	2,846,428	62,479	2,908,907
2024	720,000	30,912	750,912
2025	740,000	18,648	758,648
2026-2030	740,000	6,216	746,216
Totals	\$ 10,604,286	\$ 393,901	\$ 10,998,187

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, 2020 follows:

Fund	Amount
Indirect Costs:	
GenCyber Grant	\$ 181
STOP School Violence	11,841
Adult Education Basic Grants to States - Regular	224,481
Adult Education Basic Grants to States - English Literacy & Civics Education	12,821
AEL Distance Learning Capacity Building Initiative	7,102
21st Century Community Learning Centers	15,432
Head Start Disaster Relief	13,652
Head Start & Early Head Start	1,600,502
FEMA - Hurricane Harvey	139,883
Total General Fund Federal Program Revenue	\$ 2,025,895

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 2020, 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	\$ 867,411
<i>Pass-Through Expenditures -</i>	
School Districts:	
Aldine ISD- 1 Campuses	7,592
Houston ISD- 7 Campus	199,064
Pasadena ISD- 1 Campus	30,000
Sheldon ISD- 3 Campuses	45,000
Alief ISD	72,065
YMCA	15,000
Boys and Girls Club	8,000
Charter Schools:	
Academy for Accelerated Learning	44,344
Total Pass-through Expenditures	421,065
Local contributions	-
Grand Total Expenditures	\$ 1,288,476

Note 9 - Shared Service Arrangements (continued)

B. 21st Century Community Learning Centers - During fiscal year 2020, the Department was the fiscal agent for 18-member independent school districts and 3 charter school (21 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	\$ 441,212
<i>Pass-Through Expenditures -</i>	
School Districts:	
Aldine ISD- 1 Campuses	90,729
Alief ISD- 1 Campuses	114,868
AAMA- 1 Campus	97,103
Baker Ripley Charter Promise Community School	103,589
Clear Creek ISD- 1 Campus	77,492
Galena Park ISD- 4 Campuses	427,288
Houston ISD- 1 Campus	137,447
Humble ISD- 1 Campus	8,080
Pasadena ISD- 1 Campuses	88,452
Raul Yzaguirre	81,055
Sheldon ISD- 4 Campuses	435,869
Southwest Schools- 2 Campus	72,530
Spring ISD-1 Campuses	74,345
Humble ISD Education	2,238
Total Pass-Through Expenditures	<u>1,811,085</u>
Grand Total Expenditures	<u><u>\$ 2,252,297</u></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:

	Final Budget	Actual
State mandated programs (TRS on behalf, etc.)	\$ 2,750,000	\$ 3,036,198
Professional services	1,138,542	959,788
Life Insurance and Retirement Reserve	73,519	-
General Supplies	709,247	143,574
Facility support charges	2,375,469	2,643,572
Miscellaneous operating	113,228	129,095
Capital Outlay	10,364	-
Total	<u><u>\$ 7,170,369</u></u>	<u><u>\$ 6,912,227</u></u>

Note 11 - Risk Management

- A. Health Insurance** - During the year ending August 31, 2020, employees of the Harris County Department of Education were covered by a health insurance plan (the Plan). The Department contributed \$386 or \$397, depending on plan, 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. Since September 1, 2016, the Department participated in a fully-insured worker's compensation program with Texas Mutual.

	<u>Year Ended</u> <u>8/31/2019</u>	<u>Year Ended</u> <u>8/31/2020</u>
Unpaid claims, beginning of fiscal year	\$ 188,814	\$ 127,483
Claims payments	(61,331)	(11,736)
Unpaid claims, end of fiscal year	<u>\$ 127,483</u>	<u>\$ 115,747</u>

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

Detail 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 <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, out TRS then Publications then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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.

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. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Note 12 - Defined Benefit Pension Plan (continued)

D. Contributions (continued)

	Contribution Rates	
	Plan Fiscal Year	
	2020	2019
Member	7.70%	7.70%
Non-Employer Contributing Entity (NECE) - State	7.50%	6.80%
Employers (Department)	7.50%	6.80%

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

	Measurement Year (2019)		Fiscal Year (2020)
	Contributions Made	Pension Expense	TRS Contributions
	Department	\$ 869,573	\$ 2,208,922
Member (Employee)	3,221,960	-	3,303,964
Non-employer (State) Contributing Entity	1,934,336	4,513,016	2,286,392

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 rolled forward to August 31, 2019 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	2.63%. 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."
Inflation	2.30%
Salary increases including inflation	3.05% - 9.05%, including inflation
Ad hoc post-employment benefit changes	None
Benefit Changes During the Year	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

F. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the nonemployer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Note 12 - Defined Benefit Pension Plan (continued)

F. Discount Rate (continued)

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 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.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019, are summarized below:

<u>Asset Class</u>	<u>FY 2019 Target Allocation¹</u>	<u>New Target Allocation²</u>	<u>Long-term Expected Geometric Real Rate of Return³</u>
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	0.00%	0.00%
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries ⁴	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	0.00%	0.00%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.00%	0.00%
Real Estate	14.00%	15.00%	8.00%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	0.00%	0.00%	1.00%
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5% ⁵
Asset Allocation Leverage Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	0.00%	-6.00%	2.70%
Expected Return			7.23%
Total	<u>100.00%</u>		

¹ Target allocations based on the Strategic Asset Allocation dated 10/1/2018

² New target allocation based on the Strategic Asset Allocation dated 10/1/2019

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global

⁵ 5.8%/(6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

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 (7.25%) in measuring the Net Pension Liability.

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Decrease Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
Department's proportionate share of the net pension liability:	\$ 19,851,821	\$ 12,914,733	\$ 7,294,353

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

At August 31, 2020, the Department reported a liability of \$12,914,733 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:

Department's proportion of the net pension liability	0.0248%
Department's proportionate share of the collective net pension liability	\$ 12,914,733
State's proportionate share that is associated with the Department	<u>28,729,606</u>
Total	<u>\$ 41,644,339</u>

The net pension liability was measured as of August 31, 2019, 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, 2018 through August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability increased to 0.0248% from 0.0238% at August 31, 2018.

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 single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

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)

For the year ended August 31, 2020, the Department recognized pension expense of \$2,208,922. The Department also recognized an additional revenue and expense of \$4,513,016 representing pension expense incurred by the State on behalf of the Department.

At August 31, 2020, the Department 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	\$ 1,598,406	\$ -
Net difference between projected and current investment earnings	129,679	-
Difference between expected and actual experience	54,253	(448,420)
Changes in assumptions	4,006,785	(1,655,793)
Changes in proportions	530,611	(467,087)
Total	<u>\$ 6,319,734</u>	<u>\$ (2,571,300)</u>

The \$1,598,406 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, 2021. 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
2021	\$ 305,029
2022	198,442
2023	751,874
2024	732,761
2025	258,106
Thereafter	(96,184)
	<u>\$ 2,150,028</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.

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

B. OPEB Plan Fiduciary Net Position

Detail 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 <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then *Financial Reports*, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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.

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 Plan Premium Rates		
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

*or surviving spouse

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

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.

	Contribution Rates Fiscal Year	
	2020	2019
Member (Employee)	0.65%	0.65%
Non-Employer Contributing Agency (State)	1.25%	1.25%
Department	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

	Measurement Year (2019)		Fiscal Year (2020)
	Contributions Made	OPEB Expense	TRS Contributions
Employer (Department) contributions	\$ 469,677	\$ 952,820	\$ 475,924
Member (Employee) contributions	271,984	-	280,437
Non-employer (State) on behalf - contributions	624,058	1,096,025	747,150

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 \$73.6 million in fiscal year 2019.

In addition, \$230,756,971 was transferred to TRS to pay for TRS-Care during the 86th Legislative Session, House Bill 1. GASB Statement No. 85 requires that an on-behalf payment is recorded for the districts proportionate share. The proportionate share was determined using the GASB Statement No. 75 TRS-Care proportionate share allocation. For the year ended August 31, 2020, the Department recorded an expenditure for their proportionate share of the funds along with the corresponding revenue of \$152,709.

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

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. 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).

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third party administrator expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	Initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. Initial prescription drug trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years
Ad hoc post-employment benefit changes	Normal Retirement: 70% participation prior None

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

F. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% 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 to all periods of projected benefit payments to determine the total OPEB liability.

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 (2.63%) in measuring the Net OPEB Liability.

	1% Decrease (1.63%)	Current Rate (2.63%)	1% Increase (3.63%)
Department's proportionate share of the Net OPEB Liability:	\$ 37,784,490	\$ 31,296,144	\$ 26,220,308

Healthcare Cost Trend Rates – The following presents the Department’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:

	1% Decrease	Current	1% Increase
Department's proportionate share of the Net OPEB Liability:	\$ 25,530,298	\$ 31,296,144	\$ 39,019,735

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

At August 31, 2019, the Department reported a liability of \$31,296,144 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:

Department's proportion of the net OPEB liability	0.0662%
Department's proportionate share of the collective net OPEB liability	\$ 31,296,144
State's proportionate share that is associated with Department	41,585,578
Total	<u>\$ 72,881,722</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019, 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, 2018 thru August 31, 2019.

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 employer’s proportion of the collective Net OPEB Liability was 0.0662% which was a slight decrease from the prior year of 0.0646%.

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.

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan’s anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the Department recognized OPEB expense of \$952,820 and additional on-behalf revenue and expense of \$1,096,025 for support provided by the State.

At August 31, 2020, 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	\$ 1,738,257	\$ (8,417,895)
Difference between projected and actual investment earnings	3,376	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	895,583	(56,196)
Difference between expected and actual	1,535,342	(5,121,282)
Contributions paid to TRS subsequent to the measurement date	475,924	-
Total	\$ 4,648,482	\$ (13,595,373)

The \$475,924 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, 2021.

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)

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
2021	(1,623,301)
2022	(1,623,301)
2023	(1,624,394)
2024	(1,625,019)
2025	(1,624,848)
Thereafter	(1,301,952)
	<u>\$ (9,422,815)</u>

I. Medicare Part D

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, 2020, 2019, and 2018, the subsidy payments received by the TRS-Care on-behalf of the Department were \$206,937, \$153,891, and \$122,114 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, 2020.

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, 2020.

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.

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 2020, inventory within the Foreign Trade Zone totaled \$1.03 billion. The Department received tax equivalency payments of \$51,361 from Exxon Mobil Inc., Magellen Terminals, Sigma Tube, Houston Refining LLP, Dixie Cullen, Nobel Drilling, Cosetino, Mitsubishi and Toshiba.

Note 17 – Subsequent Events

Issuance of Debt

On October 22, 2020, the Department issued Harris County Department of Education Public Facilities Corporation Lease Revenue Bonds, Series 2020 in the amount of \$27,715,000 par value and \$3,405,317 premium. The Department prepared a needs assessment for a new Adult Education Center, a New Highpoint East Middle School addition, and a new AB East Replacement School. These three projects composed the project in the public notice. The total project cost for the construction of the projects is estimated at \$36,573,770 of which \$5,740,000 will be paid with general fund, \$251,888 from interest, \$3,405,317 from premium from the bond sale, and the remaining \$27,715,000 from bond proceeds. The bonds will be financed through the sale of the lease-revenue bonds issued through the HCDE Public Facilities Corporation (the “PFC”). Moody’s Investor Service assigned an “Aa1” rating to the bond security with stable outlook assigned.

On October 22, 2020, the Department issued Harris County Department of Education Maintenance Notes, Series 2020 in the amount of \$13,865,000 par value and \$2,206,798 premium. The Department prepared a needs assessment for renovating the current Adult Education Building, the renovation of the Ronald Reagan Building (Irvington), and equipment for the Adult Ed Center, Highpoint East Middle School Addition and AB East Replacement School and other equipment and renovation costs for the department. The total project cost for the equipment renovation cost of the projects is estimated at \$16,071,797 of which \$2,206,798 will be paid from premium from the sale and the bond proceeds of \$13,865,000. Moody’s Investor Service assigned an “Aaa” rating to the bond security with stable outlook assigned.

Response to COVID-19

The full extent of the ongoing impact of COVID-19 on the Department’s 2020-21 fiscal year and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.



Required Supplementary Information

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, 2020

Exhibit C-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local and Intermediate Sources	\$ 48,017,461	\$ 48,676,256	\$ 45,562,632	\$ (3,113,624)
State Programs	3,083,072	3,083,072	3,584,814	501,742
Federal Programs	1,748,308	1,748,308	2,025,895	277,587
Total Revenues	52,848,841	53,507,636	51,173,341	(2,334,295)
Expenditures				
Current:				
Adult Education Program	173,390	181,813	158,879	22,934
Assistant Superintendents	591,755	614,755	547,900	66,855
Board of Trustees	186,626	230,116	164,109	66,007
Business Support Services	1,963,839	2,123,070	1,972,397	150,673
Center for After-School, Summer & Expanded Learning	747,444	785,747	759,894	25,853
Center for Safe & Secure Schools	613,277	786,277	663,196	123,081
Center for Grant Development	593,835	593,835	577,154	16,681
Client Engagement	500,524	500,524	428,764	71,760
Communications	1,058,109	1,065,531	824,797	240,734
Department Wide	7,240,673	7,170,369	6,912,227	258,142
Digital Education & Innovation	205,186	406,642	396,116	10,526
Education Certification & Professional Advancement	686,795	669,395	643,281	26,114
Education Foundation	-	509,060	500,600	8,460
Facility Support Services	785,064	885,064	259,048	626,016
Head Start Program	5,000	5,000	2,221	2,779
Human Resources	1,081,016	1,122,590	1,088,712	33,878
Purchasing Support Services	592,322	593,762	569,878	23,884
Records Management Services	2,034,676	2,034,676	1,818,947	215,729
Research & Evaluation Institute	643,743	643,743	605,731	38,012
Retirement Leave Benefits	100,000	350,000	231,057	118,943
Scholastic Arts & Writing Program	183,707	167,887	142,239	25,648
School Based Therapy Services	12,308,371	12,075,481	11,119,162	956,319
Chief of Staff	271,409	275,409	273,568	1,841
Special Schools & Services	13,588,746	13,845,789	12,214,320	1,631,469
Superintendent's Office	527,344	623,539	558,927	64,612
Technology Support Services	3,830,491	4,042,896	3,552,065	490,831
The Teaching & Learning Center	1,486,192	1,415,556	1,132,175	283,381
Total Expenditures	51,999,534	53,718,526	48,169,776	5,548,750
Excess (Deficiency) of Revenues Over (Under) Expenditures	849,307	(210,890)	3,003,565	3,214,455
Other Financing Sources (Uses)				
Transfers In	2,375,224	2,375,224	3,490,423	1,115,199
Transfers Out	(8,115,267)	(9,865,267)	(6,272,887)	3,592,380
Total Other Financing Sources (Uses)	(5,740,043)	(7,490,043)	(2,782,464)	4,707,579
Net Change in Fund Balances	(4,890,736)	(7,700,933)	221,101	7,922,034
Fund Balances-Beginning	32,614,360	32,614,360	32,614,360	-
Fund Balances-Ending	\$ 27,723,624	\$ 24,913,427	\$ 32,835,461	\$ 7,922,034

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 \$3,468,992 primarily due to:

- \$1,500,000 for COVID 19 emergency expenditures
- \$720,992 for Department Wide, Business Services, Technology, ABS West & CASE
- \$500,000 for Education Foundation
- \$250,000 for Head Start Baytown park lot
- \$173,000 for Center for Safe & Secure Schools
- \$115,000 for Teaching & Learning Center
- \$110,000 for ABS East and ABS West 2 FTE shared personnel
- \$100,000 for 2 Facilities Asset replacement vans

Appropriations, including other uses, increased \$9,172,091 primarily due to:

- \$3,222,957 Construction Transfer under budget
- \$239,702 Head Start transfer under budget
- \$129,723 CASE transfer under budget
- \$4,789,519 under budget in Therapy, Special Schools, Business Services, Technology, and Facilities Asset Replacement

HARRIS COUNTY DEPARTMENT OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DEPARTMENTS PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Teacher Retirement System of Texas
Last Six Measurement Years Ended August 31

Exhibit C-3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Department's proportion of the net pension liability	0.0248%	0.0238%	0.0243%	0.0233%	0.0234%
Department's proportionate share of the net pension liability	\$ 12,914,733	\$ 13,093,794	\$ 7,762,844	\$ 8,794,281	\$ 8,260,418
State's proportionate share of the net pension liability associated with the Department	<u>28,729,606</u>	<u>31,109,264</u>	<u>18,522,260</u>	<u>22,088,591</u>	<u>21,177,189</u>
Total	<u>\$ 41,644,339</u>	<u>\$ 44,203,058</u>	<u>\$ 26,285,104</u>	<u>\$ 30,882,872</u>	<u>\$ 29,437,607</u>
Department's covered payroll (for Measurement Year)	\$ 41,843,653	\$ 39,733,893	\$ 38,995,847	\$ 37,264,186	\$ 35,960,896
Department's proportionate share of the net pension liability as a percentage of its covered payroll	30.9%	33.0%	19.9%	23.6%	23.0%
Plan's fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll	114.93%	126.11%	75.93%	92.75%	91.94%
	<u>2014</u>				
Department's proportion of the net pension liability	0.0277%				
Department's proportionate share of the net pension liability	\$ 7,215,493				
State's proportionate share of the net pension liability associated with the Department	<u>18,967,699</u>				
Total	<u>\$ 26,183,192</u>				
Department's covered payroll (for Measurement Year)	\$ 36,028,897				
Department's proportionate share of the net pension liability as a percentage of its covered payroll	20.0%				
Plan's fiduciary net position as a percentage of the total pension liability	83.25%				
Plan's net pension liability as a percentage of covered payroll	73.82%				

HARRIS COUNTY DEPARTMENT OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DEPARTMENT'S PENSION RETIREMENT CONTRIBUTIONS

Exhibit C-4

Teachers Retirement System of Texas
Last Seven Fiscal Years Ended August 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 1,599,915	\$ 867,842	\$ 799,557	\$ 794,101	\$ 741,368
Contributions in relation to the contractually required contributions	<u>1,599,915</u>	<u>867,842</u>	<u>799,557</u>	<u>794,101</u>	<u>741,368</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 43,144,177	\$ 41,843,651	\$ 39,733,893	\$ 38,995,847	\$ 37,264,186
Contributions as a percentage of covered payroll	3.71%	2.07%	2.01%	2.04%	1.99%
	<u>2015</u>	<u>2014</u>			
Contractually required contributions	\$ 699,042	\$ 685,186			
Contributions in relation to the contractually required contributions	<u>699,042</u>	<u>685,186</u>			
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Department's covered payroll	\$ 35,960,896	\$ 36,028,897			
Contributions as a percentage of covered payroll	1.94%	1.90%			

Changes of Assumptions

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 single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

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 Department's portion share of the plan is determined by its proportional share of contributions, the Department 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 Three Measurement Years Ended August 31

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Department's proportion of the net OPEB liability	0.6618%	0.0646%	0.0647%
Department's proportionate share of the net OPEB liability	\$ 31,296,144	\$ 32,234,768	\$ 28,124,225
State's proportionate share of the net OPEB liability associated with the Department	<u>41,585,578</u>	<u>26,283,149</u>	<u>23,468,900</u>
Total	<u>\$ 72,881,722</u>	<u>\$ 58,517,917</u>	<u>\$ 51,593,125</u>
Department's covered payroll (for Measurement Year)	\$ 41,843,653	\$ 39,733,893	\$ 38,995,847
Department's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.8%	81.1%	72.1%
Plan's fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	135.21%	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 CONTRIBUTIONS

Exhibit C-7

Teachers Retirement System of Texas
Last Seven Fiscal Years Ended August 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 477,510	\$ 466,951	\$ 445,167	\$ 339,056	\$ 328,635
Contributions in relation to the contractually required contributions	<u>477,510</u>	<u>466,951</u>	<u>445,167</u>	<u>339,056</u>	<u>328,635</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 43,144,177	\$ 41,843,651	\$ 39,733,893	\$ 38,995,847	\$ 37,264,186
Contributions as a percentage of covered payroll	1.11%	1.12%	1.12%	0.87%	0.88%
	<u>2015</u>	<u>2014</u>			
Contractually required contributions	\$ 311,879	\$ 307,431			
Contributions in relation to the contractually required contributions	<u>311,879</u>	<u>307,431</u>			
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Department's covered payroll	\$ 35,960,896	\$ 36,028,897			
Contributions as a percentage of covered payroll	0.87%	0.85%			

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 discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

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 and Individual Fund Statements and Schedules



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)

- 21st Century Community Learning Centers (21st 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.



HARRIS COUNTY DEPARTMENT OF EDUCATION

NONMAJOR GOVERNMENTAL FUNDS OVERVIEW (continued)

SPECIAL REVENUE FUNDS (continued)

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
- Operations and Training –
- Disaster Recovery
- 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.

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, 2020

Exhibit D-1
Page 1 of 4

	<u>Special Revenue Funds</u>					
	<u>Head Start - Training and Tech Assist</u>	<u>Head Start - Healthy Living</u>	<u>Transition to Teaching</u>	<u>Stop School Violence Grant</u>	<u>Early Head Start Operations</u>	<u>Early Head Start/Child Care Partnership</u>
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,481	\$ -
Due from other governments	20,639	34,697	-	8,672	200,775	8,845
Other receivables	-	-	-	-	-	-
Prepaid Items	-	-	-	-	9,526	372
Total Assets	<u>\$ 20,639</u>	<u>\$ 34,697</u>	<u>\$ -</u>	<u>\$ 8,672</u>	<u>\$ 211,782</u>	<u>\$ 9,217</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 195	\$ -	\$ -	\$ -	\$ 25,786	\$ 5,710
Accrued wages payable	-	-	-	-	1,481	-
Due to other governments	-	-	-	-	-	-
Due to other funds	20,444	34,697	-	8,672	184,515	3,507
Unearned Revenues	-	-	-	-	-	-
Total Liabilities	<u>20,639</u>	<u>34,697</u>	<u>-</u>	<u>8,672</u>	<u>211,782</u>	<u>9,217</u>
Fund Balances:						
Nonspendable						
Prepaid	-	-	-	-	9,526	372
Unassigned	-	-	-	-	(9,526)	(372)
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 20,639</u>	<u>\$ 34,697</u>	<u>\$ -</u>	<u>\$ 8,672</u>	<u>\$ 211,782</u>	<u>\$ 9,217</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
August 31, 2020

Exhibit D-1
Page 2 of 4

	Special Revenue Funds					
	NSA GenCyber Grant	AEL Distance Learning Capacity Building Initiative	Federal Adult Ed Regular Grant	Adult Ed English Literacy/Civics	21st Century Cycle 9	21st Century Cycle 10
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 28,408	\$ 937	\$ -	\$ -
Due from other governments	-	9,788	539,689	158,710	681,331	566,430
Other receivables	-	-	8,459	-	-	-
Prepaid Items	-	-	-	-	-	-
Total Assets	\$ -	\$ 9,788	\$ 576,556	\$ 159,647	\$ 681,331	\$ 566,430
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 19,978	\$ -	\$ 320,163	\$ 210,585
Accrued wages payable	-	-	28,408	937	-	-
Due to other governments	-	9,788	-	-	-	-
Due to other funds	-	-	528,170	158,710	361,168	355,845
Unearned Revenues	-	-	-	-	-	-
Total Liabilities	-	9,788	576,556	159,647	681,331	566,430
Fund Balances:						
Nonspendable						
Prepaid	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ 9,788	\$ 576,556	\$ 159,647	\$ 681,331	\$ 566,430

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
August 31, 2020

Exhibit D-1
Page 3 of 4

	<u>Special Revenue Funds</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>	<u>Local EFHC Science C/O</u>
Assets						
Cash and cash equivalents	\$ 552,689	\$ 14	\$ -	\$ 998	\$ -	\$ 45,334
Due from other governments	-	-	53,907	-	-	-
Other receivables	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-
Total Assets	<u>\$ 552,689</u>	<u>\$ 14</u>	<u>\$ 53,907</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 45,334</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 210,383	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages payable	2,473	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Due to other funds	-	-	53,907	-	-	-
Unearned Revenues	339,833	14	-	998	-	45,334
Total Liabilities	<u>552,689</u>	<u>14</u>	<u>53,907</u>	<u>998</u>	<u>-</u>	<u>45,334</u>
Fund Balances:						
Nonspendable						
Prepaid	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 552,689</u>	<u>\$ 14</u>	<u>\$ 53,907</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 45,334</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
August 31, 2020

Exhibit D-1
Page 4 of 4

	<u>Special Revenue Funds</u>					
	<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>
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 46,323	\$ 676,184	\$ -	\$ 676,184
Due from other governments	-	-	-	2,283,483	-	2,283,483
Other receivables	-	-	-	8,459	-	8,459
Prepaid Items	-	-	-	9,898	-	9,898
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,323</u>	<u>\$ 2,978,024</u>	<u>\$ -</u>	<u>\$ 2,978,024</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 3,000	\$ 795,800	\$ -	\$ 795,800
Accrued wages payable	-	-	-	33,299	-	33,299
Due to other governments	-	-	-	9,788	-	9,788
Due to other funds	-	-	-	1,709,635	-	1,709,635
Unearned Revenues	-	-	43,323	429,502	-	429,502
Total Liabilities	<u>-</u>	<u>-</u>	<u>46,323</u>	<u>2,978,024</u>	<u>-</u>	<u>\$ 2,978,024</u>
Fund Balances:						
Nonspendable						
Prepaid	-	-	-	9,898	-	9,898
Unassigned	-	-	-	(9,898)	-	(9,898)
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,323</u>	<u>\$ 2,978,024</u>	<u>\$ -</u>	<u>\$ 2,978,024</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

Exhibit D-2
Page 1 of 4

	Special Revenue Funds					
	Head Start - Training and Tech Assist	Head Start - Healthy Living	Transition to Teaching	Stop School Violence Grant	Early Head Start Operations	Early Head Start/Child Care Partnership
Revenues						
Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Programs	74,398	108,827	17,000	104,349	1,893,856	38,089
Total Revenues	<u>74,398</u>	<u>108,827</u>	<u>17,000</u>	<u>104,349</u>	<u>1,893,856</u>	<u>38,089</u>
Expenditures						
Current:						
Adult Education Program	-	-	-	-	-	-
Center for After-School, Summer & Expanded Learning	-	-	-	-	-	-
Center for Safe & Secure Schools	-	-	-	104,349	-	-
Digital Education & Innovation	-	-	-	-	-	-
Education Certification & Professional Advancement	-	-	17,000	-	-	-
Head Start Program	74,398	108,827	-	-	1,893,856	38,089
Special Schools & Services	-	-	-	-	-	-
The Teaching & Learning Center	-	-	-	-	-	-
Debt Service:						
Principal on Long-Term Debt	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-
Total Expenditures	<u>74,398</u>	<u>108,827</u>	<u>17,000</u>	<u>104,349</u>	<u>1,893,856</u>	<u>38,089</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances-Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

Exhibit D-2
Page 2 of 4

	Special Revenue Funds					
	NSA GenCyber Grant	AEL Distance Learning Capacity Building	Federal Adult Ed Regular Grant	Adult Ed English Literacy/Civics	21st Century Cycle 9	21st Century Cycle 10
Revenues						
Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Programs	1,596	84,649	3,913,378	267,892	1,354,868	1,321,777
Total Revenues	<u>1,596</u>	<u>84,649</u>	<u>3,913,378</u>	<u>267,892</u>	<u>1,354,868</u>	<u>1,321,777</u>
Expenditures						
Current:						
Adult Education Program	-	84,649	3,913,378	267,892	-	-
Center for After-School, Summer & Expanded Learning	-	-	-	-	1,354,868	1,321,777
Center for Safe & Secure Schools	-	-	-	-	-	-
Digital Education & Innovation	1,596	-	-	-	-	-
Education Certification & Professional Advancement	-	-	-	-	-	-
Head Start Program	-	-	-	-	-	-
Special Schools & Services	-	-	-	-	-	-
The Teaching & Learning Center	-	-	-	-	-	-
Debt Service:						
Principal on Long-Term Debt	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-
Total Expenditures	<u>1,596</u>	<u>84,649</u>	<u>3,913,378</u>	<u>267,892</u>	<u>1,354,868</u>	<u>1,321,777</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances-Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

Exhibit D-2
Page 3 of 4

	Special Revenue Funds					
	Federal After-School Partnership	Houston Endowment	City of Houston Grant	Early Head Start In-Kind	Head Start In-Kind	Local EFHC Science C/O
Revenues						
Local and Intermediate Sources	\$ -	\$ 74,250	\$ 716,300	\$ 124,214	\$ 3,801,773	\$ 379,751
Federal Programs	1,783,481	-	-	-	-	-
Total Revenues	<u>1,783,481</u>	<u>74,250</u>	<u>716,300</u>	<u>124,214</u>	<u>3,801,773</u>	<u>379,751</u>
Expenditures						
Current:						
Adult Education Program	-	-	-	-	-	-
Center for After-School, Summer & Expanded Learning	2,204,545	74,250	716,300	-	-	-
Center for Safe & Secure Schools	-	-	-	-	-	-
Digital Education & Innovation	-	-	-	-	-	-
Education Certification & Professional Advancement	-	-	-	-	-	-
Head Start Program	-	-	-	124,214	3,801,773	379,751
Special Schools & Services	-	-	-	-	-	-
The Teaching & Learning Center	-	-	-	-	-	-
Debt Service:						
Principal on Long-Term Debt	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-
Total Expenditures	<u>2,204,545</u>	<u>74,250</u>	<u>716,300</u>	<u>124,214</u>	<u>3,801,773</u>	<u>379,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(421,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers In	421,064	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>421,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances-Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

Exhibit D-2
Page 4 of 4

	Special Revenue Funds					Nonmajor Governmental Funds (See Exhibit B-1)
	Stop School Violence - In- kind	Hogg Found	Misc Local Grants	Total Special Revenue Funds	Debt Service Fund	
Revenues						
Local and Intermediate Sources	\$ 13,654	\$ 7,413	\$ 37,356	\$ 5,154,711	\$ -	\$ 5,154,711
Federal Programs	-	-	-	10,964,160	-	10,964,160
Total Revenues	<u>13,654</u>	<u>7,413</u>	<u>37,356</u>	<u>16,118,871</u>	<u>-</u>	<u>16,118,871</u>
Expenditures						
Current:						
Adult Education Program	-	-	-	4,265,919	-	4,265,919
Center for After-School, Summer & Expanded Learning	-	-	-	5,671,740	-	5,671,740
Center for Safe & Secure Schools	13,654	-	-	118,003	-	118,003
Digital Education & Innovation Education Certification & Professional Advancement	-	-	-	1,596	-	1,596
Head Start Program	-	-	-	17,000	-	17,000
Special Schools & Services	-	7,413	23,491	6,451,812	-	6,451,812
The Teaching & Learning Center	-	-	3,990	3,990	-	3,990
	-	-	9,875	9,875	-	9,875
Debt Service:						
Principal on Long-Term Debt	-	-	-	-	2,706,429	2,706,429
Interest on Long-Term Debt	-	-	-	-	211,182	211,182
Total Expenditures	<u>13,654</u>	<u>7,413</u>	<u>37,356</u>	<u>16,539,935</u>	<u>2,917,611</u>	<u>19,457,546</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(421,064)</u>	<u>(2,917,611)</u>	<u>(3,338,675)</u>
Other Financing Sources (Uses)						
Transfers In	-	-	-	421,064	2,917,611	3,338,675
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,064</u>	<u>2,917,611</u>	<u>3,338,675</u>
Net Change in Fund Balances	-	-	-	-	-	-
Fund Balances-Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Ending	<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 Year Ended August 31, 2020

Exhibit D-3

	Workers' Compensation Fund	Facility Charges Fund	Total Internal Service Funds (see Exhibit B-5)
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,100,699	\$ 253,051	\$ 1,353,750
Due from other funds	-	-	-
Prepaid items	373,525	-	373,525
Total Assets	1,474,224	253,051	1,727,275
Liabilities			
Current Liabilities:			
Accounts payable	-	245,958	245,958
Accrued wages payable	-	7,093	7,093
Claims payable - due within one year	115,747	-	115,747
Total Liabilities	115,747	253,051	368,798
Net Position			
Unrestricted	1,358,477	-	1,358,477
Total Net Position	\$ 1,358,477	\$ -	\$ 1,358,477

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION –
INTERNAL SERVICE FUNDS
For the Year Ended August 31, 2020

Exhibit D-4

	Workers' Compensation Fund	Facility Charges Fund	Total Internal Service Funds (see Exhibit B-6)
Operating Revenues			
Charges for Services	\$ 285,540	\$ 4,957,533	\$ 5,243,073
Total Operating Revenues	<u>285,540</u>	<u>4,957,533</u>	<u>5,243,073</u>
Operating Expenses			
Payroll Costs	-	2,631,243	2,631,243
Professional Services	-	1,505,225	1,505,225
Supplies and Materials	-	271,735	271,735
Miscellaneous Operating Expenses	388,885	549,330	938,215
Total Operating Expenses	<u>388,885</u>	<u>4,957,533</u>	<u>5,346,418</u>
Change in Net Position	<u>(103,345)</u>	<u>-</u>	<u>(103,345)</u>
Total Net Position-Beginning	<u>1,461,822</u>	<u>-</u>	<u>1,461,822</u>
Total Net Position-Ending	<u><u>\$ 1,358,477</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,358,477</u></u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended August 31, 2020

Exhibit D-5

	Workers' Compensation Fund	Facility Charges Fund	Total Internal Service Funds (see Exhibit B-7)
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 306,238	\$ 4,957,533	\$ 5,263,771
Payments to employees	-	(2,633,619)	(2,633,619)
Payments to suppliers	-	(2,334,698)	(2,334,698)
Payments for workers' compensation claims	(379,202)	-	(379,202)
Net cash provided by (used in) operating activities	<u>(72,964)</u>	<u>(10,784)</u>	<u>(83,748)</u>
Net increase (decrease) in cash and cash equivalents	(72,964)	(10,784)	(83,748)
Cash and cash equivalents at beginning of year	<u>1,173,663</u>	<u>263,835</u>	<u>\$ 1,437,498</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,100,699</u></u>	<u><u>\$ 253,051</u></u>	<u><u>\$ 1,353,750</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ (103,345)	\$ -	\$ (103,345)
Changes in Assets and Liabilities:			
Decrease (increase) in prepaid items	21,419	-	21,419
Increase (decrease) in accounts payable	-	(8,408)	(8,408)
Increase (decrease) in accrued wages payable	-	(2,376)	(2,376)
Increase (decrease) in due to/from other funds	20,698	-	20,698
Increase (decrease) in claims payable	(11,736)	-	(11,736)
Net cash provided by (used in) operating activities	<u><u>\$ (72,964)</u></u>	<u><u>\$ (10,784)</u></u>	<u><u>\$ (83,748)</u></u>

HARRIS COUNTY DEPARTMENT OF EDUCATION

FIDUCIARY FUNDS OVERVIEW

AGENCY FUNDS

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

HARRIS COUNTY DEPARTMENT OF EDUCATION
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended August 31, 2020

Exhibit D-6

	Balance August 31, 2019	Increases	Decreases	Balance August 31, 2020 (see Exhibit B-8)
Assets				
Cash and cash equivalents	\$ 44,394	\$ -	\$ (8,145)	\$ 36,249
Total Assets	<u>\$ 44,394</u>	<u>\$ -</u>	<u>\$ (8,145)</u>	<u>\$ 36,249</u>
Liabilities				
Accounts payable	\$ 23,802	\$ 3,125	\$ -	\$ 26,927
Due to student groups	20,592	-	(11,270)	9,322
Total Liabilities	<u>\$ 44,394</u>	<u>\$ 3,125</u>	<u>\$ (11,270)</u>	<u>\$ 36,249</u>



Other Supplementary Information

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, 2020

Exhibit E-1

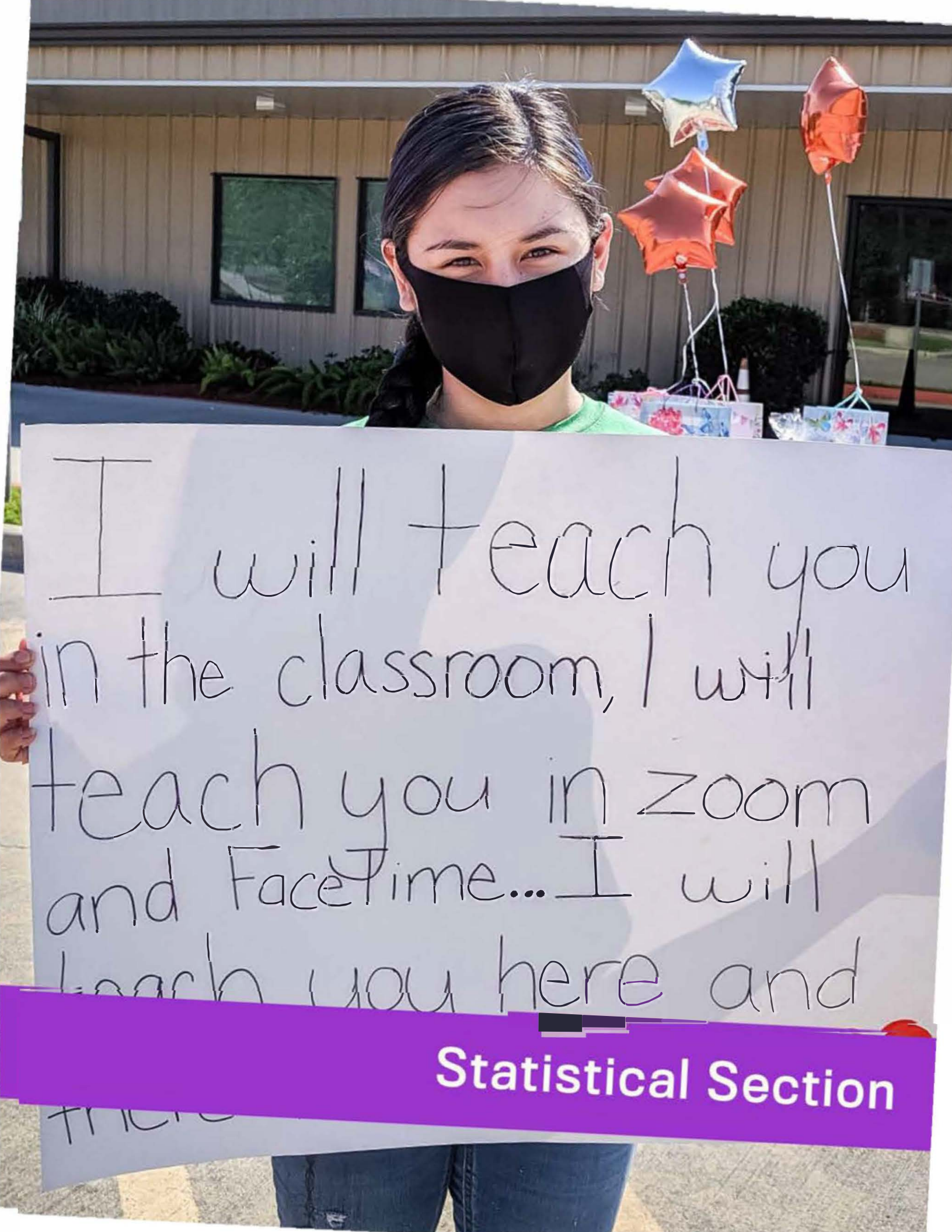
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Debt Service:				
Principal on Long-Term Debt	\$ 2,706,429	\$ 2,706,429	\$ 2,706,429	\$ -
Interest on Long-Term Debt	211,182	211,182	211,182	-
Total Expenditures	<u>2,917,611</u>	<u>2,917,611</u>	<u>2,917,611</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,917,611)</u>	<u>(2,917,611)</u>	<u>(2,917,611)</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	2,917,611	2,917,611	2,917,611	-
Total Other Financing Sources (Uses)	<u>2,917,611</u>	<u>2,917,611</u>	<u>2,917,611</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2020

Exhibit E-2

Year Ended August 31	Tax Rate		Assessed Value	Beginning Balance	Current Year Levy	Collections & Adjustments	Ending Balance
	Maintenanc	Debt					
2011 & Prior	Various	-	Various	\$ 161,651	\$ -	\$ 55,699	\$ 105,952
2012	0.006581	-	275,667,298,681	34,860	-	1,300	33,560
2013	0.006617	-	289,669,533,021	34,864	-	1,568	33,296
2014	0.006358	-	315,575,070,777	32,185	-	(865)	33,050
2015	0.005999	-	348,957,092,849	50,604	-	1,412	49,192
2016	0.005422	-	388,054,684,618	55,860	-	100	55,760
2017	0.005200	-	416,884,796,154	142,637	-	86,681	55,956
2018	0.005195	-	434,078,173,795	365,894	-	285,078	80,816
2019	0.005190	-	445,338,264,373	340,327	-	218,966	121,361
2020	0.005000	-	477,646,161,016	-	23,937,452	23,523,037	414,415
Totals				<u>\$ 1,218,882</u>	<u>\$ 23,937,452</u>	<u>\$ 24,172,976</u>	<u>\$ 983,358</u>

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



I will teach you
in the classroom, I will
teach you in zoom
and FaceTime... I will
teach you here and

Statistical Section

there

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.

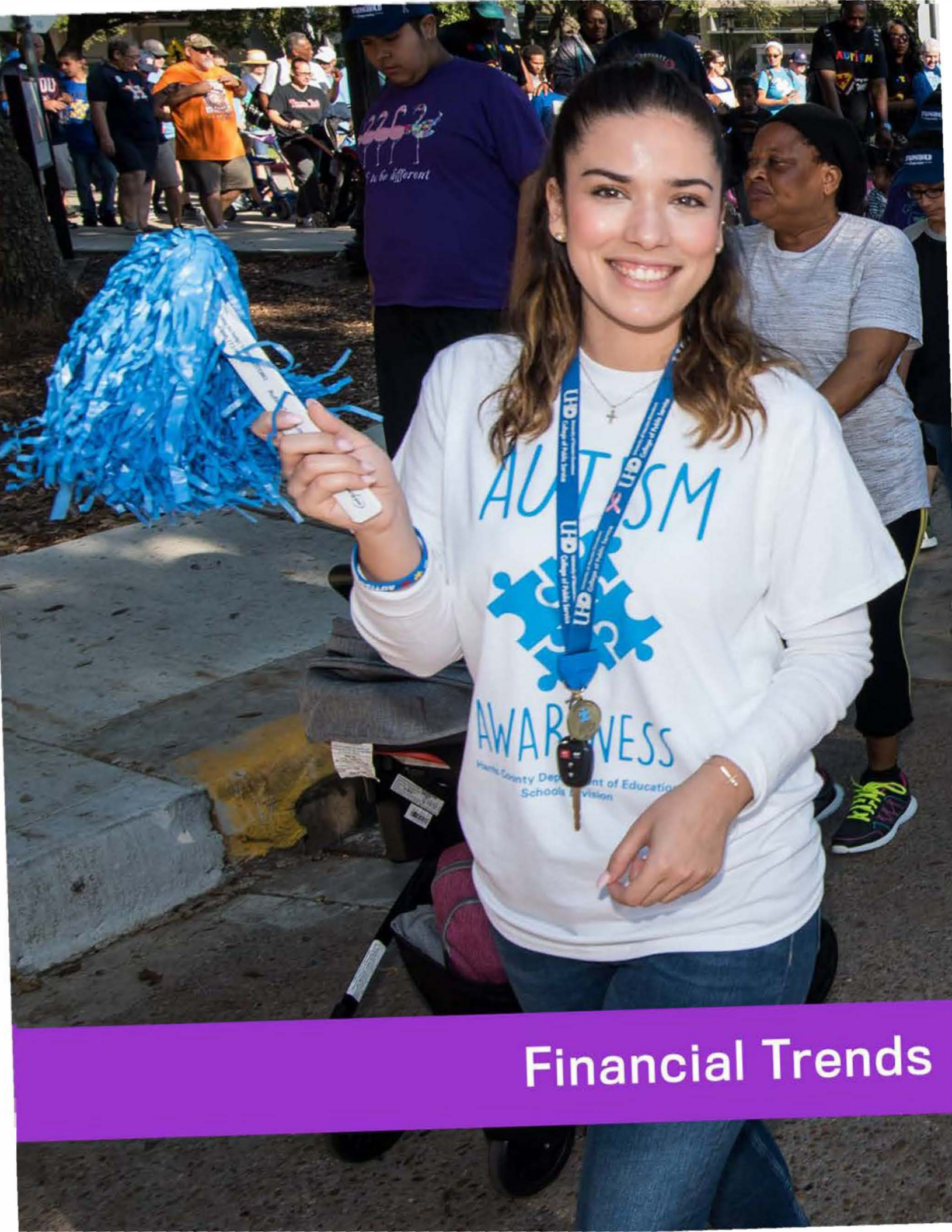
Demographic and Economic Information – These schedules present information to assist users in understanding the environment within which the Department’s financial activity takes place.

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



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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental Activities:					
Net investment in capital assets	\$ 47,221,390	\$ 47,908,866	\$ 43,712,723	\$ 32,428,990	\$ 34,145,710
Restricted	-	-	-	-	31,983
Unrestricted	(16,824,748)	(18,737,419)	(20,722,390)	26,188,720	20,804,496
Total Governmental Activities	<u>\$ 30,396,642</u>	<u>\$ 29,171,447</u>	<u>\$ 22,990,333</u>	<u>\$ 58,617,710</u>	<u>\$ 54,982,189</u>
Business-Type Activities:					
Unrestricted	\$ 1,500,000	\$ 1,000,000	\$ 500,000	\$ -	\$ -
Total Business-Type Activities	<u>\$ 1,500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total:					
Net investment in capital assets	\$ 47,221,390	\$ 47,908,866	\$ 43,712,723	\$ 32,428,990	\$ 34,145,710
Restricted	-	-	-	-	31,983
Unrestricted	(15,324,748)	(17,737,419)	(20,222,390)	26,188,720	20,804,496
Total Net Position	<u>\$ 31,896,642</u>	<u>\$ 30,171,447</u>	<u>\$ 23,490,333</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:					
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
Total Governmental Activities	<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>
Business-Type Activities:					
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Total Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total:					
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
Total Net Position	<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 FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

Table 2
Page 1 of 4

	2020	2019	2018	2017	2016
Expenses:					
Governmental Activities:					
Adult Education Program	\$ 4,638,902	\$ 4,569,273	\$ 1,036,132	\$ 3,873,917	\$ 4,050,032
Assistant Superintendents' Offices	555,259	576,780	550,282	539,630	537,885
Board of Trustees	164,109	177,757	128,396	138,256	131,506
Business Support Services	1,985,847	1,745,357	1,763,138	1,720,319	1,790,657
Center for After-School, Summer & Expanded Learning	6,516,679	7,090,805	5,934,605	7,289,977	7,315,643
Center for Safe and Secure Schools	793,170	1,050,107	86,464	655,108	491,085
Center for School Governance & Fiscal Accountability	-	-	-	-	-
Center for Grant Development	583,366	567,705	568,024	555,688	544,990
Choice Partners Cooperatives	-	-	-	-	-
Client Engagement	434,571	644,546	491,644	374,313	451,521
Communications	832,260	837,090	774,921	858,041	884,274
Department Wide	10,549,704	6,717,410	6,111,173	7,089,535	6,808,688
Digital Learning	423,384	271,230	441,316	1,391,612	368,131
Early Childhood Intervention	-	-	-	-	-
Education Certification & Professional Advancement	665,549	597,579	627,407	678,461	630,272
Education Foundation	500,626	-	-	9,559	199,417
Facility Support Services	1,566,862	1,038,146	937,572	1,112,896	772,981
Head Start Program	20,007,652	20,782,352	7,146,626	17,304,932	16,103,236
Human Resources	1,097,516	1,053,283	1,023,212	994,097	943,149
Interest and Fees on Long-Term Debt	230,424	274,948	330,095	602,708	310,720
PFC Capital Projects	-	-	-	-	-
Preschool Initiative	-	-	-	-	-
Principal Certification	-	-	-	-	-
Purchasing Support Services	581,023	566,986	494,421	494,804	477,229
Quality Zone Academy Bonds	-	-	-	-	6,281
Records Management Services	1,900,490	2,005,229	1,921,547	1,627,074	1,656,361
Research and Evaluation Institute	612,972	569,157	597,668	579,394	515,936
Retirement Leave Benefits	231,057	118,233	124,832	358,964	322,795
Scholastic Arts and Writing Program	142,239	139,108	99,932	101,618	102,702
School Based Therapy Services	11,360,389	10,709,672	10,328,779	9,790,720	9,375,763
Chief of Staff	273,876	268,564	239,431	291,630	189,323
Special Schools & Services	12,875,176	12,743,363	11,535,687	11,091,019	10,865,891
Superintendent's Office	564,677	523,018	443,456	448,785	385,255
Technology Support Services	4,090,248	4,098,566	3,381,097	3,446,066	5,052,094
Texas LEARNS	-	-	-	-	-
The Teaching & Learning Center	1,144,261	1,351,221	1,262,855	1,240,775	1,068,452
Total Governmental Activities Expenses	85,322,288	81,087,485	58,380,712	74,659,898	72,352,269
Business-Type Activities:					
Choice Partners Cooperatives	1,962,256	2,083,863	1,844,392	1,783,195	1,879,446
Transfer out	3,490,423	5,805,811	2,803,104	2,588,083	2,547,458
Total Business-Type Activities Expenses	5,452,679	7,889,674	4,647,496	4,371,278	4,426,904
Total Expenses	90,774,967	88,977,159	63,028,208	79,031,176	76,779,173

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

Table 2
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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses:					
Governmental Activities:					
Adult Education Program	\$ 3,895,904	\$ 4,187,795	\$ 4,651,034	\$ 4,509,212	\$ 4,557,894
Assistant Superintendents' Offices	517,072	465,054	457,916	448,143	454,962
Board of Trustees	205,134	194,415	157,546	108,958	139,736
Business Support Services	1,674,204	1,652,498	1,600,940	1,534,745	1,574,090
Center for After-School, Summer & Expanded Learning	8,468,498	6,932,436	8,165,637	8,771,440	7,987,851
Center for Safe and Secure Schools	623,098	758,633	418,556	366,018	623,773
Center for School Governance & Fiscal Accountability	70,430	129,537	177,036	180,569	182,788
Center for Grant Development	519,875	503,314	548,899	556,711	583,140
Choice Partners Cooperatives	1,727,275	1,596,110	1,579,708	1,376,087	1,146,389
Client Engagement	456,323	410,006	403,880	403,621	
Communications	709,750	652,250	651,610	510,174	931,203
Department Wide	5,421,099	5,380,665	5,350,114	5,509,879	6,012,835
Digital Learning	1,450,677	1,668,330	1,997,071	2,654,232	2,273,670
Early Childhood Intervention	2,112,772	4,871,933	5,132,950	5,868,623	-
Education Certification & Professional Advancement	506,930	510,939	301,540	220,146	86,709
Education Foundation	200,398	200,535	199,404	201,501	150,799
Facility Support Services	981,239	767,703	1,282,812	146,827	1,543,377
Head Start Program	15,401,901	13,758,980	14,224,031	15,012,643	17,381,287
Human Resources	945,021	922,955	871,057	879,957	934,406
Interest and Fees on Long-Term Debt	480,219	799,380	787,589	902,724	952,271
PFC Capital Projects	-	-	26,845	-	-
Preschool Initiative	-	36,600	-	-	-
Principal Certification	-	-	-	-	96,667
Purchasing Support Services	402,651	427,478	394,331	356,325	793,005
Quality Zone Academy Bonds	-	-	311,727	42,866	121,333
Records Management Services	1,777,447	1,685,191	1,665,781	1,435,224	928,451
Research and Evaluation Institute	460,493	492,210	466,180	460,471	441,428
Retirement Leave Benefits	288,606	410,154	219,305	224,144	261,983
Scholastic Arts and Writing Program	88,126	72,185	71,667	60,614	78,247
School Based Therapy Services	8,686,191	7,932,355	7,702,266	7,327,653	15,837,809
Chief of Staff	130,936	-	6,253	64,479	76,259
Special Schools & Services	11,270,451	11,018,200	10,086,230	10,245,287	10,619,419
Superintendent's Office	432,322	504,922	369,316	352,778	353,268
Technology Support Services	4,115,775	3,961,667	3,737,958	3,373,381	3,219,235
Texas LEARNS	-	421,089	6,853,142	1,854,304	1,960,269
The Teaching & Learning Center	1,185,444	1,221,872	961,954	1,008,144	979,491
Total Governmental Activities Expenses	<u>75,206,261</u>	<u>74,547,391</u>	<u>81,832,285</u>	<u>76,967,880</u>	<u>83,284,044</u>
Business-Type Activities:					
Choice Partners Cooperatives	-	-	-	-	-
Transfer out	-	-	-	-	-
Total Business-Type Activities Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>75,206,261</u>	<u>74,547,391</u>	<u>81,832,285</u>	<u>76,967,880</u>	<u>83,284,044</u>

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

Table 2
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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
Business Support Services	\$ 245,754	\$ 55,098	\$ 4,590	\$ 58,597	\$ 284,473
Center for After-School, Summer & Expanded Learning	83,560	94,748	89,994	9,506	11,800
Center for Safe and Secure Schools	273,972	229,396	187,729	502,661	117,350
Center for School Governance & Fiscal Accountability	-	-	-	-	-
Center for Grant Development	1,515	2,495	865	840	2,275
Choice Facility Partners (1)	-	-	-	-	-
Client Engagement	-	-	-	-	-
Communications	-	-	-	-	-
Department Wide	35,711	43,979	28,480	20,215	12,963
Digital Learning	-	12,085	25,755	41,745	61,015
Early Childhood Intervention	-	-	-	-	-
Education Certification & Professional Advancement	113,982	204,520	228,979	206,289	252,270
Head Start Program	140	20	250	-	-
Human Resources	-	-	-	-	-
Purchasing Cooperatives (1)	-	-	-	-	-
Purchasing Support Services	-	-	-	-	5,559
Records Management Services	1,868,784	1,687,681	1,894,771	1,563,165	1,569,386
Research and Evaluation Institute	91,499	80,786	79,249	2,002	48,644
Scholastic Arts and Writing Program	-	-	-	-	40,449
School Based Therapy Services	8,892,942	8,981,971	8,888,790	8,552,308	8,633,429
Special Assistant to Superintendent	-	-	-	-	-
Special Schools & Services	9,022,523	8,880,541	8,327,481	8,433,065	7,439,987
Technology Support Services	-	1,200	9,850	17,440	61,296
The Teaching & Learning Center	828,920	1,236,917	731,899	734,437	773,405
Total Charges for Services	<u>21,459,302</u>	<u>21,511,437</u>	<u>20,498,682</u>	<u>20,142,270</u>	<u>19,314,301</u>
Operating grants and contributions	25,663,841	26,730,731	18,289,999	23,509,189	23,307,323
General Revenues					
Property taxes, levied for general purposes	23,870,492	23,040,994	22,494,557	21,723,798	21,059,842
Grants and contributions not restricted to specific program	5,610,709	3,901,877	2,439,712	4,804,746	5,560,503
Investment earnings	434,601	993,098	554,708	170,480	60,751
Miscellaneous income	6,018,115	5,284,651	4,988,233	5,356,853	5,152,391
Transfers	3,490,423	5,805,811	2,803,104	2,588,083	2,547,458
Total Governmental Activities Revenues	<u>86,547,483</u>	<u>87,268,599</u>	<u>72,068,995</u>	<u>78,295,419</u>	<u>77,002,569</u>
Business-Type Activities:					
Charges for services:					
Choice Partners Cooperative	5,952,679	8,389,674	5,147,496	4,371,278	4,426,904
Total Revenues-Business Type Activities	<u>5,952,679</u>	<u>8,389,674</u>	<u>5,147,496</u>	<u>4,371,278</u>	<u>4,426,904</u>
Total Revenues	<u>92,500,162</u>	<u>95,658,273</u>	<u>77,216,491</u>	<u>82,666,697</u>	<u>81,429,473</u>
Change in Net Position					
Total Primary Government	<u>\$ 1,725,195</u>	<u>\$ 6,681,114</u>	<u>\$ 14,188,283</u>	<u>\$ 3,635,521</u>	<u>\$ 4,650,300</u>

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

Source: HCDE records

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

Table 2
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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Program Revenues:					
Governmental Activities:					
Charges for services:					
Business Support Services	\$ 169,052	\$ 285,093	\$ 308,464	\$ 74,005	\$ 18,707
Center for After-School, Summer & Expanded Learning	29,015	27,142	16,884	24,114	87,896
Center for Safe and Secure Schools	120,735	436,410	141,767	195,085	487,011
Center for School Governance & Fiscal Accountability	-	29,805	-	11,800	33,152
Center for Grant Development	2,495	2,800	32,537	98,171	86,672
Choice Facility Partners (1)	3,201,052	2,896,693	3,242,503	3,066,053	2,104,297
Client Engagement	1,400	-	2,800	-	-
Communications	-	-	-	4,187	19,900
Department Wide	13,824	13,003	11,284	33,682	173,005
Digital Learning	83,160	90,200	69,568	63,070	122,523
Early Childhood Intervention	108,208	324,614	324,614	327,536	-
Education Certification & Professional Advancement	255,109	196,902	115,317	148,409	145,511
Head Start Program	-	-	-	-	70
Human Resources	-	1,795	2,800	-	800
Purchasing Cooperatives (1)	-	-	-	-	1,537,632
Purchasing Support Services	3,563	-	-	61,677	-
Records Management Services	1,558,589	1,435,793	1,382,845	1,361,825	1,265,210
Research and Evaluation Institute	39,823	60,451	55,150	64,349	66,029
Scholastic Arts and Writing Program	26,155	19,135	15,130	18,645	1,000
School Based Therapy Services	8,151,129	7,706,746	7,477,282	6,798,685	7,315,492
Special Assistant to Superintendent	-	-	-	1,440	-
Special Schools & Services	7,849,458	8,373,138	7,903,760	7,704,848	7,709,338
Technology Support Services	227,846	418,406	255,096	367,630	302,817
The Teaching & Learning Center	945,650	888,464	851,549	677,535	675,463
Total Charges for Services	<u>22,786,263</u>	<u>23,206,590</u>	<u>22,209,350</u>	<u>21,102,746</u>	<u>22,152,525</u>
Operating grants and contributions	25,840,048	24,888,778	35,391,753	32,096,407	34,200,575
General Revenues					
Property taxes, levied for general purposes	21,041,087	20,184,898	19,353,694	18,248,412	17,848,708
Grants and contributions not restricted to specific program	5,077,413	4,679,915	4,909,527	4,882,113	5,157,119
Investment earnings	13,331	8,133	23,938	24,893	29,984
Miscellaneous income	4,462,989	4,379,490	4,652,180	5,040,598	6,703,537
Transfers	-	-	-	-	-
Total Governmental Activities Revenues	<u>79,221,131</u>	<u>77,347,804</u>	<u>86,540,442</u>	<u>81,395,169</u>	<u>86,092,448</u>
Business-Type Activities:					
Charges for services:					
Choice Partners Cooperative	-	-	-	-	-
Total Revenues-Business Type Activities	-	-	-	-	-
Total Revenues	<u>79,221,131</u>	<u>77,347,804</u>	<u>86,540,442</u>	<u>81,395,169</u>	<u>86,092,448</u>
Change in Net Position					
Total Primary Government	<u>\$ 4,014,870</u>	<u>\$ 2,800,413</u>	<u>\$ 4,708,157</u>	<u>\$ 4,427,289</u>	<u>\$ 2,808,404</u>

(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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	177,243	169,805	128,037	163,555	159,613
Restricted	-	-	-	-	-
Committed	2,014,976	2,014,976	2,014,976	1,575,000	6,200,000
Assigned	13,540,000	9,499,397	9,499,397	9,363,629	7,538,285
Unassigned	17,103,242	20,930,182	17,769,755	17,020,303	17,022,340
Total General Fund	<u>\$ 32,835,461</u>	<u>\$ 32,614,360</u>	<u>\$ 29,412,165</u>	<u>\$ 28,122,487</u>	<u>\$ 30,920,238</u>
All Other Governmental Funds:					
PFC Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted, reported in:					
PFC Capital Projects Fund	<u>2,939,650</u>	<u>10,600,127</u>	<u>11,219,387</u>	<u>10,874,006</u>	<u>31,983</u>
Total All Other Governmental Funds	<u>\$ 2,939,650</u>	<u>\$ 10,600,127</u>	<u>\$ 11,219,387</u>	<u>\$ 10,874,006</u>	<u>\$ 31,983</u>

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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$0
Unreserved	-	-	-	-	0
Nonspendable	163,462	148,912	146,919	111,719	119,634
Restricted	6,281	6,281	117,019	428,228	1,218,921
Committed	6,721,446	3,150,000	1,408,000	1,408,000	1,408,000
Assigned	5,185,416	8,394,445	9,394,231	7,450,241	5,810,352
Unassigned	15,826,627	14,901,561	13,748,845	12,425,483	10,668,827
Total General Fund	<u>\$ 27,903,232</u>	<u>\$ 26,601,199</u>	<u>\$ 24,815,014</u>	<u>\$ 21,823,671</u>	<u>\$ 19,225,734</u>
All Other Governmental Funds:					
PFC Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$0
Restricted, reported in:					
PFC Capital Projects Fund	<u>31,881</u>	<u>1,021,734</u>	<u>1,021,733</u>	<u>1,048,577</u>	<u>1,048,578</u>
Total All Other Governmental Funds	<u>\$ 31,881</u>	<u>\$ 1,021,734</u>	<u>\$ 1,021,733</u>	<u>\$ 1,048,577</u>	<u>\$ 1,048,578</u>

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016*</u>
Total revenues	\$ 79,284,172	\$ 79,771,645	\$ 78,200,293	\$ 75,335,740	\$ 73,253,550
Total expenditures	<u>90,213,971</u>	<u>82,995,395</u>	<u>79,368,338</u>	<u>76,879,551</u>	<u>72,783,901</u>
Excess (deficiency) of revenues over(under) expenditures:	<u>(10,929,799)</u>	<u>(3,223,750)</u>	<u>(1,168,045)</u>	<u>(1,543,811)</u>	<u>469,649</u>
Other Financing Sources (Uses)					
Lease Revenue Bond Refunding	-	-	-	-	-
Payment on Bond Refunding					
Escrow Agent	-	-	-	-	-
Bond Sale	-	-	-	7,000,000	-
Sale of equipment	-	-	-	-	-
Transfers in	9,763,310	11,635,782	8,573,483	11,267,601	5,799,651
Transfers out	<u>(6,272,887)</u>	<u>(5,829,097)</u>	<u>(57,703,789)</u>	<u>(8,679,518)</u>	<u>(3,252,192)</u>
Total other financing sources(uses)	<u>3,490,423</u>	<u>5,806,685</u>	<u>(49,130,306)</u>	<u>9,588,083</u>	<u>2,547,459</u>
Net change in fund balances	<u>\$ (7,439,376)</u>	<u>\$ 2,582,935</u>	<u>\$ (50,298,351)</u>	<u>\$ 8,044,272</u>	<u>\$ 3,017,108</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
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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total revenues	\$ 79,276,809	\$ 77,424,337	\$ 86,561,843	\$ 81,495,314	\$ 86,287,924
Total expenditures	78,145,010	75,858,286	83,597,445	78,904,603	88,792,110
Excess (deficiency) of revenues over(under) expenditures:	<u>1,131,799</u>	<u>1,566,051</u>	<u>2,964,398</u>	<u>2,590,711</u>	<u>(2,504,186)</u>
Other Financing Sources (Uses)					
Lease Revenue Bond Refunding	4,255,000	9,685,000	-	-	-
Payment on Bond Refunding					
Escrow Agent	(5,074,619)	(9,465,000)	-	-	-
Bond Sale	-	-	-	-	-
Sale of equipment	-	135	100	7,226	-
Transfers in	4,752,664	4,401,099	3,684,601	3,799,980	4,186,302
Transfers out	<u>(4,752,664)</u>	<u>(4,401,099)</u>	<u>(3,684,601)</u>	<u>(3,799,980)</u>	<u>(4,186,302)</u>
Total other financing sources(uses)	<u>(819,619)</u>	<u>220,135</u>	<u>100</u>	<u>7,226</u>	<u>-</u>
Net change in fund balances	<u>\$ 312,180</u>	<u>\$ 1,786,186</u>	<u>\$ 2,964,498</u>	<u>\$ 2,597,937</u>	<u>\$ (2,504,186)</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Local Sources:					
Charges for services	\$ 21,358,795	\$ 21,511,437	\$ 20,383,705	\$ 20,043,478	\$ 19,213,400
Property taxes, levied for general purposes	23,707,501	23,051,892	22,514,793	21,751,923	21,141,146
Local grants	4,761,166	5,272,056	4,766,262	5,355,621	5,086,589
Miscellaneous income	551,609	1,023,752	892,026	270,504	164,439
Total Local Sources	<u>50,779,367</u>	<u>50,859,137</u>	<u>48,556,786</u>	<u>47,421,526</u>	<u>45,605,574</u>
State Sources:					
State aid grants	548,616	780,488	2,352,287	2,260,853	2,810,044
On-behalf payments	3,036,198	2,508,668	2,396,189	2,290,135	2,215,370
Total State Sources	<u>3,584,814</u>	<u>3,289,156</u>	<u>4,748,476</u>	<u>4,550,988</u>	<u>5,025,414</u>
Federal Sources:	<u>24,919,991</u>	<u>25,623,352</u>	<u>24,895,031</u>	<u>23,363,226</u>	<u>22,622,562</u>
Total Revenues	<u>\$ 79,284,172</u>	<u>\$ 79,771,645</u>	<u>\$ 78,200,293</u>	<u>\$ 75,335,740</u>	<u>\$ 73,253,550</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Local Sources:					
Charges for services	\$ 22,543,051	\$ 22,774,848	\$ 21,794,986	\$ 20,585,941	\$ 21,866,639
Property taxes, levied for general purposes	21,107,977	20,261,566	19,375,195	18,355,784	18,044,185
Local grants	5,049,186	4,653,717	4,417,941	4,966,634	6,693,136
Miscellaneous income	267,098	466,073	672,441	608,435	326,270
Total Local Sources	<u>48,967,312</u>	<u>48,156,204</u>	<u>46,260,563</u>	<u>44,516,794</u>	<u>46,930,230</u>
State Sources:					
State aid grants	3,182,302	4,710,852	5,713,001	6,841,825	7,253,451
On-behalf payments	2,099,190	2,009,295	1,732,483	1,807,238	1,957,430
Total State Sources	<u>5,281,492</u>	<u>6,720,147</u>	<u>7,445,484</u>	<u>8,649,063</u>	<u>9,210,881</u>
Federal Sources:	<u>25,028,005</u>	<u>22,547,986</u>	<u>32,855,796</u>	<u>28,329,457</u>	<u>30,146,813</u>
Total Revenues	<u>\$ 79,276,809</u>	<u>\$ 77,424,337</u>	<u>\$ 86,561,843</u>	<u>\$ 81,495,314</u>	<u>\$ 86,287,924</u>

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Adult Education Program	\$ 4,429,807	\$ 4,242,673	\$ 4,926,751	\$ 3,897,009	\$ 4,068,869
Assistant Superintendents' Offices	550,259	567,780	550,282	534,595	533,135
Board of Trustees	164,109	177,757	128,396	138,343	131,482
Business Support Services	1,976,847	1,726,357	1,733,238	1,711,576	1,783,858
Center for After School, Summer & Expanded Learning	6,431,634	6,932,667	7,415,860	7,320,521	7,344,632
Center for Safe & Secure Schools	782,170	617,861	458,510	647,093	473,676
Center for School Gov & Fiscal Accountability	-	-	-	-	-
Center for Grant Development	578,366	558,705	558,169	550,918	540,539
Choice Partners Cooperatives (1) (2)	-	-	-	-	-
Communications & Client Engagement	1,256,174	1,458,957	1,248,256	1,215,481	1,324,033
Department Wide	7,137,853	6,727,446	6,051,002	6,862,145	5,867,987
Digital Learning	450,124	244,380	406,107	1,345,415	1,662,289
Early Childhood Intervention	-	-	-	-	-
Education Certification & Professional Advancement	660,549	588,579	616,559	673,466	625,469
Education Foundation	500,600	-	-	9,812	199,603
Facility Support Services	282,427	1,025,227	1,332,808	730,324	449,188
Head Start Program	19,245,331	19,314,914	18,963,042	17,455,113	16,439,375
Human Resources	1,092,516	1,044,283	998,178	986,813	935,877
Preschool Initiative	-	-	-	-	-
Principal Certification	-	-	-	-	-
Purchasing Support Services (1)	576,023	538,986	488,359	487,590	472,964
Quality Zone Academy Bonds (QZAB)	-	-	-	-	6,281
Records Management Services	1,818,947	1,917,340	1,826,139	1,557,380	1,519,616
Research & Evaluation Institute	607,972	560,157	590,450	575,247	512,665
Retirement Leave Benefits	231,057	118,233	124,832	358,964	322,795
Scholastic Arts & Writing Program	142,239	139,108	99,932	101,187	102,115
School Based Therapy Services	11,135,002	10,550,740	10,317,233	9,701,864	9,292,131
Chief of Staff	273,876	269,039	239,431	289,057	187,574
Special Schools & Services	19,870,365	14,996,466	12,610,677	11,657,915	10,452,501
Superintendent's Office	559,169	513,510	443,456	445,967	382,543
Technology Support Services	3,561,381	3,690,024	2,860,974	3,028,436	3,686,311
Texas LEARNS	-	-	-	-	-
The Teaching & Learning Center	1,142,292	1,324,710	1,235,105	1,229,426	1,058,193
PFC Capital Projects	1,839,271	-	-	-	-
Debt Service:					
Principal Payments	2,706,429	2,886,429	2,826,429	2,781,429	2,106,429
Interest & Fees	211,182	263,067	318,163	352,303	301,771
Bond Issuance Costs & Fees	-	-	-	234,162	-
Total Expenditures	<u>\$ 90,213,971</u>	<u>\$ 82,995,395</u>	<u>\$ 79,368,338</u>	<u>\$ 76,879,551</u>	<u>\$ 72,783,901</u>
Debt service as a percentage of non-capital expenditures	3.61%	3.98%	4.07%	4.17%	3.37%

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
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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Adult Education Program	\$ 3,932,144	\$ 4,150,520	\$ 4,619,062	\$4,492,308	\$4,517,066
Assistant Superintendents' Offices	514,795	465,329	458,711	446,650	454,940
Board of Trustees	205,738	194,851	158,756	108,958	139,736
Business Support Services	1,660,485	1,654,106	1,605,591	1,525,180	1,573,952
Center for After School, Summer & Expanded Learning	8,491,605	6,932,759	8,171,013	8,771,440	7,987,851
Center for Safe & Secure Schools	625,609	747,801	409,064	413,600	623,732
Center for School Gov & Fiscal Accountability	70,604	129,596	177,207	180,248	182,784
Center for Grant Development	513,827	504,065	551,069	552,633	583,081
Choice Partners Cooperatives (1) (2)	1,731,034	1,592,628	1,579,519	1,367,157	1,171,149
Communications & Client Engagement	1,152,090	1,063,174	1,057,789	909,441	931,143
Department Wide	5,540,253	5,489,076	5,509,651	5,247,400	6,082,956
Digital Learning	1,375,220	1,607,457	2,057,974	2,546,687	2,500,221
Early Childhood Intervention	2,116,246	4,871,057	5,130,418	5,864,367	8,164,664
Education Certification & Professional Advancement	507,114	511,485	301,613	220,146	86,709
Education Foundation	201,041	200,754	200,035	200,322	150,782
Facility Support Services	1,288,233	451,170	552,735	412,563	1,875,564
Head Start Program	16,396,415	13,604,585	14,495,379	14,934,870	17,294,830
Human Resources	935,662	924,157	874,293	871,536	934,284
Preschool Initiative	-	36,600	-	-	-
Principal Certification	-	-	-	-	96,667
Purchasing Support Services (1)	397,278	427,646	394,816	355,414	792,975
Quality Zone Academy Bonds (QZAB)	-	110,972	311,727	853,810	3,101,860
Records Management Services	1,652,481	1,527,654	1,516,613	1,603,485	1,402,283
Research & Evaluation Institute	456,317	492,641	467,427	458,128	441,394
Retirement Leave Benefits	288,606	410,154	219,305	224,144	261,983
Scholastic Arts & Writing Program	87,516	72,286	71,961	60,062	78,239
School Based Therapy Services	8,558,847	7,931,371	7,703,718	7,318,381	7,663,305
Chief of Staff	131,149	-	6,265	64,479	76,259
Special Schools & Services	10,791,044	10,623,818	9,977,362	9,838,623	10,309,938
Superintendent's Office	429,179	505,248	370,259	351,005	353,242
Technology Support Services	4,302,817	4,192,273	4,145,077	3,208,799	3,365,993
Texas LEARNS	-	421,492	6,857,589	1,849,495	1,960,188
The Teaching & Learning Center	1,181,660	1,223,398	965,705	998,820	978,342
PFC Capital Projects	-	-	26,845	-	-
Debt Service:					
Principal Payments	2,131,429	1,916,429	1,811,428	1,761,429	1,711,428
Interest & Fees	307,049	651,734	841,469	893,023	942,570
Bond Issuance Costs & Fees	171,523	220,000	-	-	-
Total Expenditures	<u>\$ 78,145,010</u>	<u>\$ 75,858,286</u>	<u>\$ 83,597,445</u>	<u>\$ 78,904,603</u>	<u>\$ 88,792,110</u>
Debt service as a percentage of non-capital expenditures	3.23%	3.46%	3.24%	3.44%	3.19%

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

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
2020	\$ 23,937,452	\$ 23,455,450	97.99%	\$ -	23,455,450	97.99%
2019	23,187,623	22,764,706	98.18%	301,556	23,066,262	99.48%
2018	22,230,715	21,937,173	98.68%	212,726	22,149,899	99.64%
2017	21,678,010	21,412,201	98.77%	209,853	21,622,054	99.74%
2016	21,040,325	20,736,926	98.56%	247,639	20,984,565	99.73%
2015	20,933,936	20,660,459	98.69%	224,284	20,884,743	99.77%
2014	20,064,263	19,805,270	98.71%	225,943	20,031,213	99.84%
2013	19,167,433	18,882,728	98.51%	251,409	19,134,137	99.83%
2012	18,141,665	17,894,045	98.64%	214,060	18,108,105	99.82%
2011	17,889,672	17,625,587	98.52%	230,570	17,856,157	99.81%

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

Taxing Authority	2020	2019	2018	2017	2016
Department Direct Rate:					
HCDE ^(a)	\$0.005000	\$0.005190	\$0.005195	\$0.005200	\$0.005422
Overlapping Rates Jurisdictions:					
Harris County (HC)	0.4071	0.4186	0.4180	0.4166	0.4192
HC Flood Control District	0.0279	0.0288	0.0283	0.0283	0.0273
Port of Houston Authority	0.0107	0.0116	0.0116	0.0133	0.0134
HC Hospital District	0.1659	0.1711	0.1711	0.1718	0.1700
Cities:					
Baytown	0.8020	0.8220	0.8220	0.8220	0.8220
Bellaire	0.4473	0.4313	0.4159	0.3874	0.3805
Deer Park	0.7200	0.7200	0.7200	0.7200	0.7144
Houston	0.5679	0.5883	0.5842	0.5864	0.6011
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.5486	0.5638	0.5650	0.5700	0.5735
Missouri City	0.6300	0.6300	0.6000	0.5601	0.5447
Pasadena	0.5703	0.6154	0.5754	0.5754	0.5754
Pearland	0.7412	0.7092	0.6851	0.6812	0.7053
Seabrook	0.5520	0.5520	0.5749	0.5652	0.6126
South Houston	0.6999	0.6505	0.6433	0.6322	0.6995
Webster	0.3620	0.3479	0.3173	0.2845	0.2345
West University Place	0.3092	0.3168	0.3168	0.3168	0.3318
Taxing Authority	2020	2019	2018	2017	2016
School Districts and Junior Colleges:					
Aldine	1.3471	1.4359	1.3734	1.3234	1.2859
Alief	1.2441	1.3300	1.3300	1.3050	1.2800
Clear Creek	1.3100	1.4000	1.4000	1.4000	1.4000
Cypress-Fairbanks	1.3700	1.4400	1.4400	1.4400	1.4400
Deer Park	1.4151	1.5387	1.5567	1.5567	1.5567
Galena Park	1.4717	1.5733	1.5633	1.5633	1.5134
Goose Creek	1.3543	1.4319	1.4319	1.4319	1.4319
Houston	1.1367	1.2067	1.2067	1.2067	1.1967
Humble	1.4184	1.5200	1.5200	1.5200	1.5200
Katy	1.4431	1.5166	1.5166	1.5166	1.5166
Klein	1.3600	1.4300	1.4300	1.4300	1.4100
LaPorte	1.2800	1.3800	1.3800	1.4200	1.4500
North Forest	N/A	N/A	N/A	N/A	N/A
Lone Star College *	0.1078	0.1078	0.1078	0.1078	0.1079
Pasadena	1.3784	1.4800	1.4800	1.3500	1.3500
Pearland	1.3956	1.4156	1.4156	1.4156	1.4156
San Jacinto Jr. College	0.1782	0.1793	0.1833	0.1824	0.1758
Sheldon	1.4484	1.4700	1.4700	1.4100	1.4100
Spring	1.4300	1.5100	1.5100	1.4700	1.4700
Spring Branch	1.3210	1.3945	1.3945	1.3945	1.3945
Tomball	1.2900	1.3400	1.3400	1.3400	1.3400

^(a) 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

Taxing Authority	2015	2014	2013	2012	2011
Department Direct Rate:					
HCDE ^(a)	\$0.005999	\$0.00636	\$0.00661	\$0.00658	\$0.00658
Overlapping Rates Jurisdictions:					
Harris County (HC)	0.4173	0.4146	0.4002	0.3911	0.3880
HC Flood Control District	0.0273	0.0283	0.0280	0.0280	0.0292
Port of Houston Authority	0.0153	0.0171	0.1952	0.0185	0.0205
HC Hospital District	0.1700	0.1700	0.1821	0.1921	0.1921
Cities:					
Baytown	0.8220	0.8220	0.8220	0.8220	0.7870
Bellaire	0.3936	0.3999	0.3999	0.3999	0.3999
Deer Park	0.7200	0.7200	0.7200	0.7200	0.7050
Houston	0.6310	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	0.5970	0.6100	0.6160
Missouri City	0.5650	0.5738	0.5448	0.5284	0.5284
Pasadena	0.5769	0.5915	0.5915	0.5915	0.5915
Pearland	0.7121	0.7051	0.7051	0.6851	0.6651
Seabrook	0.6400	0.6651	0.6652	0.6499	0.6268
South Houston	0.6445	0.6699	0.7082	0.6875	0.6731
Webster	0.2487	0.2696	0.2852	0.2852	0.2575
West University Place	0.3617	0.3741	0.3741	0.3741	0.3741
Taxing Authority	2015	2014	2013	2012	2011
School Districts and Junior Colleges:					
Aldine	1.2858	1.3058	1.3283	1.3283	1.3005
Alief	1.2800	1.2900	1.3200	1.3300	1.3400
Clear Creek	1.4000	1.4000	1.3600	1.3600	1.3600
Cypress-Fairbanks	1.4400	1.4500	1.4500	1.4300	1.4300
Deer Park	1.5567	1.5567	1.5267	1.3967	1.3967
Galena Park	1.5134	1.5134	1.5134	1.5134	1.5134
Goose Creek	1.4319	1.3868	1.3321	1.3321	1.3021
Houston	1.1967	1.1867	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	1.3900	1.4300	1.4400	1.4300	1.4100
LaPorte	1.4500	1.3300	1.3300	1.3550	1.3250
North Forest	N/A	N/A	1.4432	1.4692	1.3700
Lone Star College *	0.1081	0.1160	0.1198	0.1210	0.1176
Pasadena	1.3500	1.3500	1.3500	1.3500	1.3500
Pearland	1.4157	1.4157	1.4194	1.4194	1.4194
San Jacinto Jr. College	0.1856	0.1856	0.1856	0.1856	0.1708
Sheldon	1.4300	1.4300	1.4300	1.4300	1.4300
Spring	1.5100	1.5700	1.5700	1.5700	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

^(a) 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			
2020	\$ 243,096,335	\$ 231,361,699	\$ 85,718,615	\$ 54,500,076	\$ 137,030,564	\$ 477,646,161	0.005000
2019	224,983,572	192,041,232	102,407,056	51,115,449	125,209,044	445,338,265	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

Source: Harris County (Texas) Appraisal District

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

Table 10

Taxpayers	2020			2011		
	2019 Taxable Value ^(a)	Rank	Percentage of Total 2016 Taxable Value ^(b)	2010 Taxable Value ^(a)	Rank	Percentage of Total 2007 Taxable Value ^(c)
Exxon Mobil Corporation	\$ 4,050,383	1	0.85%	\$ 2,835,689	1	1.04%
Centerpoint Energy, Inc.	3,881,215	2	0.81%	2,393,466	2	0.88%
Chevron Phillips Chemical CO LP	3,633,665	3	0.76%	1,531,504	4	0.56%
Shell Oil Company	1,877,864	4	0.39%	2,319,116	3	0.85%
Equistar Chemicals LP ^(d)	1,802,344	5	0.38%	984,725	9	0.36%
Enterprise	1,158,883	6	0.24%	-	-	0.00%
Palmetto Transoceanic LLC	1,107,329	7	0.23%	-	-	0.00%
Lyondell Chemical ^(w)	976,583	8	0.20%	-	-	0.00%
Wal Mart	928,383	9	0.19%	-	-	0.00%
Valero Energy Corp	829,097	10	0.17%	-	-	0.00%
Hines Interests Ltd Partnership	-	-	0.00%	1,180,204	5	0.43%
Hewlett Packard	-	-	0.00%	1,118,453	6	0.41%
Crescent Real State	-	-	0.00%	1,076,211	7	0.40%
National Oilwell Inc.	-	-	0.00%	1,053,525	8	0.39%
Houston Refining ^(d)	-	-	0.00%	948,896	10	0.35%
Total	<u>\$ 20,245,746</u>		<u>4.24%</u>	<u>\$ 15,441,789</u>		<u>5.68%</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 2019.
- (c) Based on total taxable value as of August 2010.
- (d) Lyondell Chemical filed for Chapter 11 bankruptcy on January 6, 2009. It is not certain whether all taxes owed by Lyondell Chemical and its related entities Houston Refining and Equistar Chemical LP will be paid.





Debt Capacity



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

Fiscal Year Ended Aug. 31	Gross Bonded Debt (1)	Less Restricted For Debt Service (2)	Net Bonded Debt	Taxable/Assessed Property Values ^(b) (amounts in thousands) (3)
2020	\$ 10,604,286	\$ -	\$ 10,604,286	\$ 477,646,161
2019	13,310,713	-	13,310,713	445,338,265
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	388,054,686
2015	16,959,914	-	16,959,914	348,957,093
2014	19,828,750	-	19,828,750	315,575,071
2013	20,954,287	-	20,954,287	289,669,533
2012	22,765,715	-	22,765,715	275,667,299
2011	24,527,144	-	24,527,144	271,838,192

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

Fiscal Year Ended Aug. 31	Ratio of Net Bonded Debt to Assessed Values	Personal Income^(c) (amounts in thousands) (4)	Percent of Personal Income	Population(5)	Debt per Capita
2020	0.0022%	n/a	n/a	4,767,540	\$2.22
2019	0.0030%	\$ 282,809,166	0.0047%	4,713,325	\$2.82
2018	0.0037%	265,351,328	0.0061%	4,652,980	\$3.48
2017	0.0046%	247,482,118	0.0077%	4,589,928	\$4.15
2016	0.0038%	240,752,454	0.0062%	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%	183,899,347	0.0133%	4,092,459	\$5.99

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

Year Ended August 31	Principal and Interest			Governmental Funds Expenditures	Ratio of Bonded Debt Expenditures to Governmental Funds Expenditures
	Bonds & Notes Payable Expenditures	Capital Acquisition Program	Total Debt Expenditures		
2020	\$ 2,917,611	\$ -	\$ 2,917,611	\$ 90,182,962	3.24%
2019	3,149,496	-	3,149,496	82,995,395	3.79%
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%

Source: HCDE records.

HARRIS COUNTY DEPARTMENT OF EDUCATION
ESTIMATED COUNTY-WIDE DIRECT AND OVERLAPPING BONDED DEBT
AUGUST 31, 2020
(Unaudited)

Table 13

	Percentage Applicable to Name of Government	Net Debt (Thousands)
OVERLAPPING		
County-Wide Jurisdictions:		
Harris County (2/29/20) (a)	100.00%	\$ 1,642,858
Harris County Flood Control District (2/29/20)	100.00%	492,252
Port of Houston Authority (2/29/20)	100.00%	391,947
Total County-Wide Direct Debt		\$ 2,527,057
Cities:		
Houston (6/30/19)	99.30%	\$ 3,856,779
Other cities (a)	Various	533,195
Sub-Total Cities		4,389,974
School Districts and Junior Colleges: (b)	Various	18,508,543
Utility Districts (c)	100.00%	5,279,218
Total Overlapping Debt:		\$ 30,704,792
Total Direct HCDE (e)		\$ 10,612
Total Direct and Overlapping Debt (Estimated \$9,100 Per Capita) (e)		\$ 30,715,404

- (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)	\$ 9,250,000
QZAB	1,354,286
Issuance Premiums	7,996
Total Direct HCDE Debt	\$ 10,612,282

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 and Economic Information



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

Table 14

Calendar Year	Population ^(a)	Unemployment Rate ^(a)	Personal Income ^(a)	Per Capita Income
2020	4,767,540	10.00%	n/a	n/a
2019	4,713,325	3.80%	\$ 282,809,166,000	\$ 60,002
2018	4,652,980	4.40%	265,351,328,000	57,028
2017	4,589,928	4.10%	247,482,118,000	53,919
2016	4,538,028	4.80%	240,752,454,000	53,052
2015	4,441,370	4.60%	252,694,912,000	56,896
2014	4,336,853	5.00%	230,462,963,000	53,141
2013	4,253,700	6.00%	224,617,980,000	52,805
2012	4,180,894	6.60%	204,593,445,000	48,935
2011	4,092,459	7.80%	183,899,347,000	44,936

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, 2020
(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
2019 estimate Population of Harris County, Texas (b)	4,713,325
Area of Harris County, Texas (b)	1,777 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
2015-2019 Median household income: (b)	
State of Texas	\$ 61,874
Harris County	\$ 61,705
August 2019 Unemployment Rate (c)	
State of Texas	3.6%
Harris County	3.9%
2015-2019 Median value of owner occupied housing units: (b)	
State of Texas	\$ 172,500
Harris County	\$ 175,700

- Sources: (a) Greater Houston Partnership, 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

Employer	2020			2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Wal-Mart Stores Inc.	37,000	1	1.0625%	30,535	1	1.2235%
Memorial Hermann Healthcare	24,108	2	0.6923%	20,990	2	0.8410%
HEB	23,732	3	0.6815%	13,575	8	0.5439%
UT MD Anderson Cancer Center	21,086	4	0.6055%	17,295	4	0.6930%
McDonald's Corp.	20,918	5	0.6007%	-	-	-
Houston Methodist	20,000	6	0.5743%	12,408	9	0.4972%
Kroger Co	16,000	7	0.4595%	15,117	6	0.6057%
United Airlines	14,941	8	0.4291%	-	-	-
Schlumberger	12,069	9	0.3466%	-	-	-
Shell Oil Company	11,507	10	0.3305%	11,000	10	0.4408%
Administaff	-	-	-	17,511	3	0.7016%
Continental Airlines	-	-	-	16,643	5	0.6669%
Exxon Mobil Corp	-	-	-	14,356	7	0.5752%
Totals	201,361		5.7825%	169,430		6.7888%

Notes: Employment numbers were obtained from the Houston Chronicle.

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





Operating Information





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

Table 17
Page 1 of 2

	2020	2019	2018	2017	2016
Adult Education	73.3	73.3	73.3	75.3	75.3
Assistant Superintendents' Offices	6.0	6.0	6.0	5.0	4.0
Alternative Certification	5.5	5.5	5.5	5.5	5.5
Business Support Services	17.0	16.5	16.5	16.5	16.5
Board of Trustees	1.0	1.0	1.0	0.5	0.5
Center for After School, Summer and Expanded Learning	26.0	20.0	21.0	22.2	22.2
Center for Safe & Secure Schools	5.0	3.0	4.0	3.0	3.0
Center for School Governance & Fiscal Accountability	-	-	-	-	-
Choice Partners Cooperative	19.5	18.4	18.4	15.4	15.4
Client Engagement	3.9	6.0	6.0	4.6	4.6
Communications	9.6	8.6	8.6	9.0	9.0
Digital Learning & Instructional Technology	-	-	-	-	-
Facility Support Services	293.0	51.5	51.5	51.5	51.5
Head Start Program	10.0	288.0	288.0	285.0	285.0
Human Resources	-	10.0	10.0	10.0	10.0
Purchasing Support	6.0	6.0	6.0	6.0	6.0
Records Management Services	15.0	14.0	14.0	13.0	13.0
Research & Evaluation	7.0	7.0	7.0	7.0	7.0
Resource Development	6.0	6.0	6.0	6.0	6.0
School Based Therapy Services	143.9	141.9	141.9	138.3	138.3
Special Schools Program	174.0	168.0	168.0	158.3	155.0
Superintendent's Office	2.0	2.0	2.0	1.5	2.5
Digital Learning and Innovation	1.8	2.0	2.0	2	-
Technology Support Services	24.0	21.0	21.0	21.0	22.0
Texas LEARNS	-	-	-	-	-
Texas Virtual School Network	-	-	-	15.0	15.0
The Teaching and Learning Center	10.8	10.5	10.5	11.8	12.5
Total:	911.3	886.2	888.2	883.1	879.7

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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Adult Education	78.7	104.2	77.0	78.0	87.3
Assistant Superintendents' Offices	3.5	3.5	3.5	3.5	5.5
Alternative Certification	4.0	4.0	2.5	1.7	0
Business Support Services	15.5	15.5	15.5	15.5	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	13.0	14.0	14.0	16.0
Center for Safe & Secure Schools	3.5	3.5	1.0	3.0	3.0
Center for School Governance & Fiscal Accountability	0.5	0.5	0.5	1	-
Choice Partners Cooperative	15.0	16.0	17.0	9.0	10.0
Client Engagement	4.0	4.0	3.0	3.0	2
Communications	6.0	6.0	6.0	5.0	6.0
Digital Learning & Instructional Technology	1.0	1.0	2.0	2.0	2.0
Facility Support Services	51.5	51.5	52.0	53.5	57.0
Head Start Program	258.5	235.3	242.0	251.0	261.0
Human Resources	9.5	10.0	11.0	11.0	10.0
Purchasing Support	6.0	6.0	6.0	11.0	11.0
Records Management Services	12.0	12.0	13.0	14.0	15.0
Research & Evaluation	6.0	6.0	6.0	6.0	6.0
Resource Development	6.0	6.0	7.0	7.0	7.0
School Based Therapy Services	206.0	196.4	211.0	221.0	265.0
Special Schools Program	157.0	145.0	142.0	142.0	156.0
Superintendent's Office	2.0	2.0	2.0	2.0	2.0
Digital Learning and Innovation	3.0	3.0	3	-	-
Technology Support Services	24.0	25.0	27.0	24.0	21.5
Texas LEARNS	-	-	15.0	14.0	15.0
Texas Virtual School Network	18.0	17.0	17.0	19.0	17.0
The Teaching and Learning Center	9.8	9.8	9.0	9.0	8.0
Total:	<u>914.5</u>	<u>896.7</u>	<u>905.5</u>	<u>920.2</u>	<u>1,000.0</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

Programs	Services Provided
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 Grant Development	Internal support for grants/resources acquisition
Center for Safe & Secure Schools	Campus security review and training
Chief of Staff	Support/public information
Client Engagemet	Internal support for grants/resources acquisition
Communications	Support/public information
Department Wide	Support
Digital Education & Innovations	Provide online courses to teachers
Educator Certification & Advancement	Training for teacher and principal candidates
Facility Support Services	Support
Head Start Program	Administer grant programs
Human Resources	Support
Purchasing Support Services	Internal purchasing
Records Management Services	Records retention cooperative
Research & Evaluation Institute	Research support services
Retirement Leave Benefits	Retirement benefits program
Scholastic Arts & Writing Program	Administer regional program for Texas Students
School-based Therapy Services	Therapy services and grant programs
Special Schools Services	Contract instruction for special-population students
Superintendent's Office	Support/administrative
Technology Support Services	Support
Teaching & Learning Center	Professional development training 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

Site #	Building/ Purpose	Location/ City	Year Built	Put Into	Square Footage
(1) Administration:					
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
(2) Schools:					
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
(3) Adult Education Program:					
10.	Irvington Adult Education	North Houston, TX	1972	1972	16,000
11.	Lindale Adult Education	North Houston, TX	2002	2002	13,600
(4) Head Start Program:					
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
(5) Other Services:					
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.

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

HCDE ADULT EDUCATION LOCATIONS

HCDE serves sites across Harris County, Texas:

School District	Number of Campuses	School District	Number of Campuses
Alief	4	Houston	2
Channelview	1	Katy	2
Cleveland	0	Klein	3
Cypress-Fairbanks	2	Liberty	4
Deer Park	1	Pasadena	10
Galena Park	1	Spring Branch	6
Goose Creek	2	Spring	1

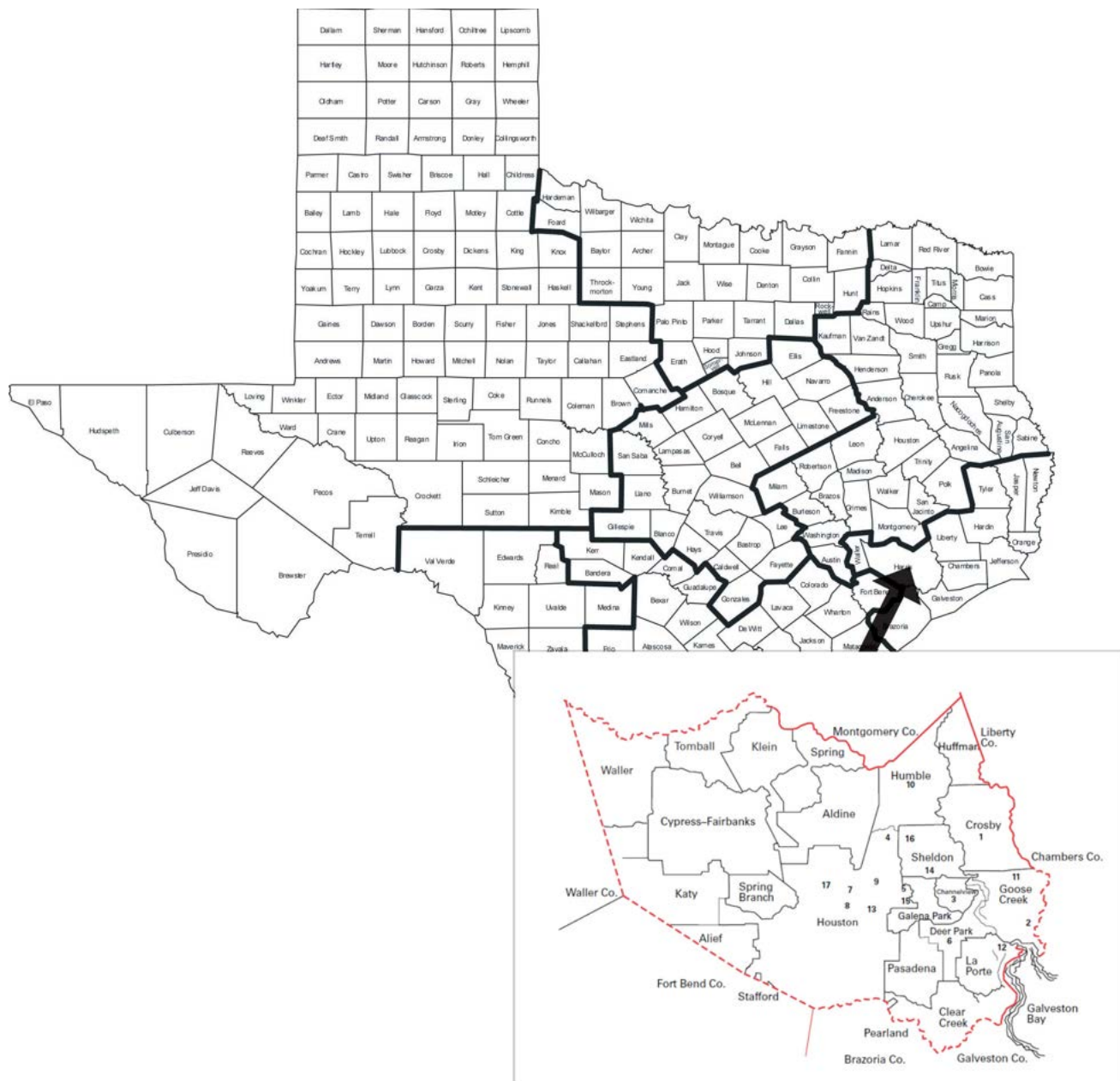
HCDE HEAD START LOCATIONS

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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