



Harris County
Department of
Education

One source for all learners



FISCAL YEAR 2017 - 2018
ANNUAL FINANCIAL
MANAGEMENT REPORT

INTRODUCTION

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

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

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

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

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

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

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

CONTENTS

2 Introduction

3 Mission, Goals, Core Beliefs
and 2017-18 Board of Trustees

4-6 Required Disclosures

7 Financial Indicators #1-11

ANNUAL FINANCIAL MANAGEMENT REPORT

FISCAL YEAR 2017-18

MISSION STATEMENT

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

GOALS

Harris County Department of Education 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 high-quality staff.

CORE BELIEFS

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

BOARD OF TRUSTEES



LOUIS
EVANS, III
President



ERIC
DICK
Vice President



ERICA LEE
CARTER
Trustee



GEORGE
MOORE
Trustee



DON
SUMNERS
Trustee



DIANE
TRAUTMAN
Trustee



MICHAEL
WOLFE
Trustee

ANNUAL FINANCIAL MANAGEMENT REPORT

FISCAL YEAR 2017-18

PURPOSE OF THE ANNUAL FINANCIAL MANAGEMENT REPORT-AFMR

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

REQUIRED DISCLOSURES—BASIS IN LAW

According to Section 109.1005 of the Texas Administrative Code:

- a. Each school district is required to report information and financial accountability ratings to parents and taxpayers by implementing the following reporting procedures.
 1. Each school district is required to prepare and distribute an annual financial management report in accordance with subsection (b) of this section.
 2. The public must be provided an opportunity to comment on the report at a public hearing in accordance with subsection (c) of this section.
- b. The annual financial management report prepared by the school district must include:
 1. A description of the district's financial management performance based on a comparison, provided by the Texas Education Agency (TEA), of the district's performance on the indicators established by the commissioner of education and reflected in §109.1002 of this title (relating to Financial Accountability Ratings). The report will contain information that discloses:
 - A) State-established standards.
 - B) The district's financial management performance under each indicator for the current and previous years' financial accountability ratings.
 2. Any descriptive information required by the commissioner of education, including:
 - A) A copy of the superintendent's current employment contract.
 - B) A summary schedule for the fiscal year (12-month period) of total reimbursements received by the superintendent and each board member, including transactions resulting from use of the Department's credit card(s) to cover expenses incurred by the superintendent and each board member.
 - C) A summary schedule for the fiscal year of the dollar amount of compensation and/or fees received by the superintendent from another school district or any other outside entity in exchange for professional consulting and/or other personal services.
 - D) A summary schedule for the fiscal year of the total dollar amount by the executive officers and board members of gifts that had an economic value of \$100 or more in the aggregate in the fiscal year.
 - E) A summary schedule for the fiscal year of the dollar amount by board members for the aggregate amount of business transactions with the school district.
 - F) A summary schedule of the data submitting using the electronic-based program developed under the financial solvency provisions of Texas Education Code, §39.0822.
 3. Any other information the board of trustees of the district determines to be useful.

ANNUAL FINANCIAL MANAGEMENT REPORT

FISCAL YEAR 2017-18

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

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

DESCRIPTION	COLBERT	TRAUTMAN	SUMNERS	LEE	EVANS	DICK	WOLF	MOORE
MEALS	\$648.00	\$ 0.00	\$0.00	\$0.00	\$81.00	\$0.00	\$81.00	\$0.00
LODGING	4,447.77	0.00	0.00	0.00	458.74	0.00	458.74	0.00
TRANSPORTATION	1,423.28	431.87	296.91	175.87	712.77	41.86	318.51	197.91
BOARD MEMBER COMPENSATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	72.00
OTHER	76,225.49	142.85	142.86	772.86	517.86	517.85	517.86	142.86
TOTAL:	\$82,744.54	\$574.72	\$439.77	\$948.73	\$1,770.37	\$559.71	\$1,376.11	\$412.77

*Other Includes registration fees, and other reimbursements (or on-behalf of) to the superintendent and board member not defined above. The other category for the Superintendent includes expenses such as: \$52,613 in Benefits \$20,000 in Employee Allowance and \$10,131 in lodging, transportation, registration fees, business meals, local mileage, workshop fees, and membership fees payments on behalf of the Superintendent.

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

NONE

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

**Gifts that had a value of \$100 or more in the aggregate in the fiscal year.*

COLBERT	TRAUTMAN	SUMNERS	LEE	EVANS	DICK	WOLFE	MOORE
NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE

(E) Business transactions between HCDE and Board Members:

TRAUTMAN	SUMNERS	LEE	EVANS	DICK	WOLFE	MOORE
NONE	NONE	NONE	NONE	NONE	\$5,000	\$100

Note: Donations made to HCDE or Educational Foundation

ANNUAL FINANCIAL MANAGEMENT REPORT

FISCAL YEAR 2017-18

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

ACCOUNT TITLE	DESCRIPTION	OBJECT CODE SERIES	AMOUNT
PAYROLL	Expenditures for payroll	6110-6149	\$8,069,286
CONTRACT COSTS	Expenditures for services rendered by firms, individuals, and other organizations	6200	473,860
SUPPLIES & MATERIALS	Expenditures for supplies and materials necessary to maintain and/or operate furniture, computers, equipment, vehicles, grounds, and facilities	6300	177,375
OTHER OPERATING	Expenditures for items other than payroll, professional and contracted services, supplies and materials, debt service, and capital outlay	6400	1,004,337
DEBT SERVICE	Expenditures for debt service	6500	-
CAPITAL OUTLAY	Expenditures for land, buildings, and equipment	6600	26,773

Note: General Fund - First Three Months of fiscal year 2018-2019

ADDITIONAL FINANCIAL SOLVENCY QUESTIONS

- 1) Districts with a September 1- August 31 fiscal year:
 Within the last two years, did the school district
- | | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| 1) draw funds from a short-term financing note (term less than 12 months) between the months of September and December, | | X |
| 2) for the prior fiscal year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund | | X |
- 2) Has the school district declared financial exigency within the past two years? X
- 3) Provide comments or explanations for student-to-staff ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.
- Not Applicable
- 4) How many superintendents has your school district had in the last five years? 2
- 5) How many business managers has your school district had in the last five years? 1

ANNUAL FINANCIAL MANAGEMENT REPORT

FISCAL YEAR 2017-18

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

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

YES. The Annual Financial Report for the fiscal year ended August 31, 2018 will be presented to the HCDE Board of Trustees for approval on January 16, 2019—within the timeframe mandated in law.

2. *Review the AFR for an unmodified opinion and material weaknesses. The Department must pass 2.A to pass this indicator. The Department fails indicator number 2 if it responds “No” to indicator 2.a. or to both indicators 2.A and 2.B.*

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

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

YES. The independent auditors expressed an UNMODIFIED opinion on the Annual Financial Report for the fiscal year ending August 31, 2018.

2B. *Did the Annual Financial Report not disclose any instance(s) of material weaknesses in internal controls?*

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

YES. At August 31, 2018, there were no material weaknesses in internal controls reported in the Annual Financial Report.

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

YES, the Department is in compliance with all agreements.

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

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

ANNUAL FINANCIAL MANAGEMENT REPORT

FISCAL YEAR 2017-18

5. ***Was the total unrestricted net asset balance in the statement of net assets greater than 0?***
No, HCDE's total unrestricted net assets was (\$20,722,390) due to the implementation of GASB 75 net OPEB liability.
6. ***Was the number of days of cash on hand and current investments in the general fund for the Department sufficient to cover operating expenditures (excluding facilities acquisition and construction)?***
YES, HCDE has 232 days of cash on hand.
7. ***Was the measure of current assets to current liabilities ratio for the Department sufficient to cover short-term debt?***
YES, the ratio is 10 percent.
8. ***Was the ratio of long-term liabilities to total assets for the Department sufficient to support long term solvency?***
YES, the ratio is 51 percent.
9. ***Did the Department's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)?***
YES, HCDE has \$4.3 million revenue over expenditures.
10. ***Was the debt service coverage ratio sufficient to meet the required debt service?***
YES, HCDE does not have a debt service rate. The General Fund funds all debt payments and the ratio is 11.71, times coverage.
11. ***Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?***
YES, the audit report did not identify any instances of material noncompliance.

**FOR A COPY OF THE
SUPERINTENDENT'S CONTRACT,
PLEASE CONTACT
HCDE'S PUBLIC INFORMATION OFFICE.**



Harris County
Department of
Education

One source for all learners.

#oneforall



Head Start



**Afterschool
Programs**



**Therapy
Services**



**Special
Schools**



**Adult Education
& Workforce
Development**

Operational support for Harris County schools



Teaching and
Learning Center



Center for Safe
and Secure Schools



Educator
Certification



Research



Grants



Facilities



Records
Management



Choice Partners



Business Services



Technology

**An organization
committed to
improving education
in Harris County**

Harris County Department of Education helps school districts in the state's largest county meet the needs of uniquely challenged learners.

For three consecutive years, HCDE has reduced its tax rate below the effective tax rate and now collects less than one penny – about \$9 a year for the average homeowner. This provides operational efficiencies for the 25 area school districts in Harris County at a lower cost to taxpayers than it would cost if the districts provided the services separately.

#oneforall

www.hcde-texas.org



**Harris County
Department of
Education**

For additional information, please contact:

JESUS J. AMEZCUA, RTSBA, CPA, PH.D.

Assistant Superintendent for Business Support Services

Phone: 713-696-8249 | Email: jamezcua@hcde-texas.org

ROSA MARIA TORRES, RTSBA

Chief Accounting Officer

Phone: 713-696-1342 | Email: rmtorres@hcde-texas.org