

**REGION ONE EDUCATION  
SERVICE CENTER**

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2021

REGION ONE EDUCATION SERVICE CENTER  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
 <b><u>Basic Financial Statements</u></b>	
<i>Government Wide Statements:</i>	
A-1 Statement of Net Position	10
B-1 Statement of Activities	11
<i>Governmental Fund Financial Statements:</i>	
C-1 Balance Sheet	12
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
C-3 Statement of Revenues, Expenditures and Changes in Fund Balances	15
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
<i>Proprietary Fund Financial Statements:</i>	
D-1 Statement of Net Position	18
D-2 Statement of Revenues, Expenses, and Changes in Net Position	19
D-3 Statement of Cash Flows	20
<i>Fiduciary Fund Financial Statements:</i>	
E-1 Statement of Fiduciary Net Position	21
E-2 Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23
 <b><u>Required Supplementary Information</u></b>	
G-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	47
G-2 Schedule of the Center's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	48
G-3 Schedule of Center's Contributions for Pensions – Teacher Retirement System of Texas	50
G-4 Schedule of the Center's Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	52
G-5 Schedule of the Center's Contributions for Other Postemployment Benefits (OPEB) – Teacher Retirement System of Texas	53
Notes to the Required Supplementary Information	54
 <b><u>Combining Statements</u></b>	
<i>Nonmajor Governmental Funds:</i>	
H-1 Combining Balance Sheet	55
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60
<i>Internal Service Funds:</i>	
H-3 Combining Statement of Net Position	65
H-4 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	66
H-5 Combining Statement of Cash Flows	67

REGION ONE EDUCATION SERVICE CENTER  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021

TABLE OF CONTENTS

**Federal Awards Section**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68
Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas Uniform Grant Management Standards	70
Schedule of Findings and Questioned Costs	72
Summary Schedule of Prior Audit Findings	73
K-1 Schedule of Expenditures of Federal and State Awards	74
Notes to Schedule of Expenditures of Federal and State Awards	78

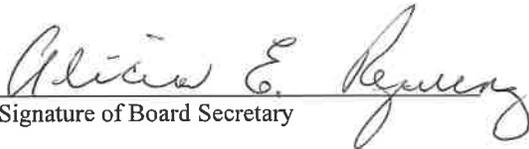
**CERTIFICATE OF BOARD**

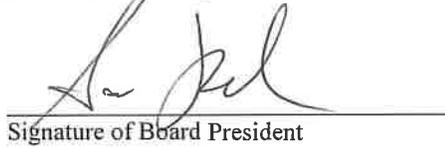
Region One Education Service Center  
Name of Service Center

Hidalgo  
County

108-950  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named service center were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2021 at a meeting of the Board of Directors of such service center on the 25 day of January 2022.

  
Signature of Board Secretary

  
Signature of Board President



# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Region One Education Service Center  
Edinburg, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Region One Education Service Center (the Center) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Center'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 to fraud or error.

### *Auditors' 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 from 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, each major fund, and the aggregate remaining fund information of the Center as of August 31, 2021, 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.



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***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages listed in the table of contents 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 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 Center's basic financial statements. The combining statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Uniform Grant Management Standards, and is also not a required part of the basic financial statements.

The combining statements, required TEA schedules and the schedule of expenditures of federal and state awards 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 statements, required TEA schedules and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2022, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Center's 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 Center's internal control over financial reporting and compliance.



Cascos & Associates, PC  
Brownsville, Texas  
January 25, 2022



# Region One Education Service Center

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## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Region One Education Service Center’s (the “Center”) annual financial report presents our discussion and analysis of the Center’s financial performance during the fiscal year ended August 31, 2021. Please read it in conjunction with the Center’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

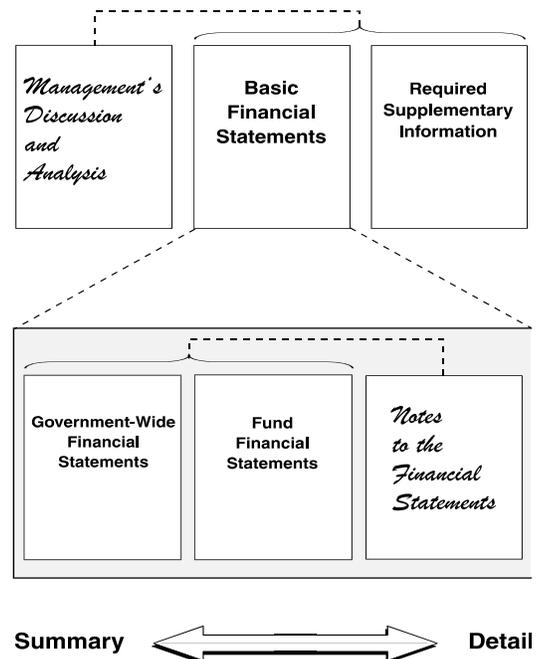
- The Center’s total combined net assets were \$52,622,221 as of August 31, 2021, which reflects an increase of 9.09% between fiscal years 8/31/20 and 8/31/21.
- During the year, the Center’s expenses were \$962,413 less than the \$64,478,067 generated in local charges and other revenues for governmental activities. This is more than last year when expenses exceeded revenues by \$6,675,532.
- The general fund reported an excess of revenues over expenditures this year of \$4,278,778. There were transfers from the general fund to the construction and/or proprietary funds in the amount of \$5,592,099. The net increase to the general fund was \$970,046 with an ending balance of \$24,634,081.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Center:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Center’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Center’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the Center acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1F, Required Components of the Center’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required Parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the Center’s financial statements, including the portion of the Center government they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the Center's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Statements

The government-wide statements report information about the Center as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Center’s net position and how they have changed. Net position—the difference between the Center’s assets and liabilities—is one way to measure the Center’s financial health or *position*.

- Over time, increases or decreases in the Center’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Center include the *Governmental activities*. Most of the Center’s basic services are included here, such as instruction, curriculum and staff development, school district administrative support services and general administration. Grants and charges for services finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Center’s most significant *funds*—not the Center as a whole. Funds are accounting devices that the Center uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the Center is properly using certain grants and local sources.

The Center has the following kinds of funds:

- *Governmental funds*—Most of the Center’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center’s programs. Because this information does not

encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the Center charges customers a fee generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the Center’s other programs and activities.
- *Fiduciary funds*—The Center is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Center’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Center’s government-wide financial statements because the Center cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

Net position. The Center’s combined net position increased by 18.12%, to approximately \$7,215,251 between the fiscal years 2020 and 2021 (See Table A-1).

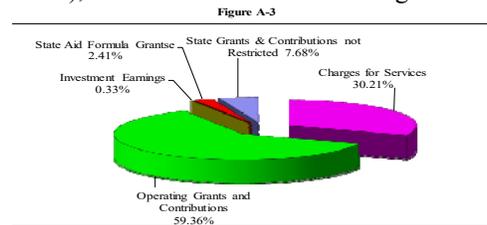
Table A-1  
Region One Education Service Center's Net Position

	Governmental Activities		Total
	2020	2021	% Change
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 5,218,393	\$ 9,632,547	84.59%
Current investments	13,021,554	9,032,258	-30.64%
Due from other governments	10,342,589	12,116,557	17.15%
Internal Balances	-	3	100.00%
Other receivables	92,153	107,321	16.46%
Prepayments	68,099	77,315	13.53%
Inventories-supplies	56,449	44,474	-21.21%
Other current assets	404	404	0.00%
Total Current Assets	<u>28,799,641</u>	<u>31,010,879</u>	7.68%
<b>Noncurrent Assets:</b>			
Land	212,653	212,653	0.00%
Building	21,144,335	37,517,149	77.43%
Furniture and equipment	2,419,106	162,655	-93.28%
Construction in Progress	10,522,866	-	-100.00%
Less: Accumulated depreciation	(14,859,739)	(16,281,115)	9.57%
Total Noncurrent Assets	<u>19,439,221</u>	<u>21,611,342</u>	11.17%
<b>Total Assets</b>	<u>48,238,862</u>	<u>52,622,221</u>	9.09%
<b>Deferred Outflows of Resources</b>			
Deferred Outflow Related to TRS Pension	7,172,416	6,247,571	-12.89%
Deferred Outflow Related to TRS OPEB	3,101,493	3,618,457	16.67%
Total Deferred Outflows of Resources	<u>10,273,909</u>	<u>9,866,028</u>	-3.97%
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	3,331,071	371,814	-88.84%
Payroll deductions & withholdings	270,149	376,507	39.37%
Accrued Wages Payable	130,905	271,105	107.10%
Due to other governments	4,116,519	2,202,253	-46.50%
Unearned Revenue	481,973	2,596	-99.46%
Due Within One Year	-	558,200	100.00%
Due in More Than One Year	-	6,441,800	100.00%
Net Pension Liability (District's Share)	14,080,185	15,219,667	8.09%
Net OPEB Liability (District's Share)	19,280,688	16,071,260	-16.65%
Total Liabilities	<u>41,691,490</u>	<u>41,515,202</u>	-0.42%
<b>Deferred Inflows of Resources</b>			
Deferred Inflow Related to TRS Pension	2,371,959	1,989,515	-16.12%
Deferred Inflow Related to TRS OPEB	8,341,112	11,768,281	41.09%
Total Deferred Inflows of Resources	<u>10,713,071</u>	<u>13,757,796</u>	28.42%
<b>Net Position:</b>			
Invested in capital assets, net of related debt	19,439,220	14,611,342	-24.84%
Restricted for federal and state program	851,873	1,169,937	37.34%
Restricted for other purposes	1,321,134	1,321,134	0.00%
Unrestricted net assets	(15,504,017)	(9,887,162)	-36.23%
<b>Total Net Position</b>	<u>\$ 6,108,210</u>	<u>\$ 7,215,251</u>	18.12%

(1) Unrestricted net position showed a \$9.8 million deficit at the end of this year as a result of the implementation of GASB Statement No 75. This deficit represents a decrease of 36.23% from the prior year.

**Changes in net position.** The Center's total revenues decreased by 3.31% to \$64,478,067. A significant portion, 59.36%, of the Center's revenue comes from operating grants (See Figure A-3.), while 30.21% relates to charges for services.

The total cost of all programs and services decreased 6.33% to \$63,371,026. The instruction and instructional related services and student services functions represent 44% of these costs.



### Governmental Activities

- Investment earnings decreased by approximately 91.75% due to a decrease in the interest rate, decrease in cash balances due construction financing and change in depository bid terms. Charges for services decreased by .07% from \$20,147,391 to \$20,132,427 due to a decrease in services by Curriculum, Instruction, and Assessment.
- Grants not restricted represent revenues for indirect cost, foundation funds and other grants not restricted. These funds decreased by 37.13% from \$5,122,204 to \$3,220,537. The state aid – formula grants represent state funds received for Center operations. State revenues were adjusted by the required GASB 68 and GASB 75 journal entries.
- Operating grants and contributions represent federal and state funds restricted for a specific program. The Center obtained approximately \$51,117 less federal and state grants as compared to last year.

**Table A-2**  
**Changes in Region One Education Service Center's Net Position**

	<b>Governmental Activities</b>		<b>Total</b>
	<b>2020</b>	<b>2021</b>	<b>% Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 20,147,391	\$ 20,132,427	-0.07%
Operating grants and contributions	39,589,360	39,538,243	-0.13%
Grants and contributions not restricted	5,122,204	3,220,537	-37.13%
Investment earnings	221,910	18,310	-91.75%
State aid - formula grants	1,607,782	1,568,550	-2.44%
Total Revenues	<u>66,688,647</u>	<u>64,478,067</u>	-3.31%
<b>Program Expenses:</b>			
Instruction	17,634,866	11,525,286	34.64%
Instructional resources and media services	1,339,955	1,385,098	-3.37%
Curriculum and instructional staff development	15,653,103	15,904,392	-1.61%
Instructional leadership	3,973,953	3,834,959	3.50%
School leadership	949,054	918,584	3.21%
Guidance, counseling, and evaluation services	95,381	93,772	1.69%
Student (pupil) transportation	166	166	0.00%
General administration	2,737,682	3,586,556	-31.01%
Facilities maintenance and operations	1,761,916	2,333,382	-32.43%
Data processing services	4,483,098	3,929,397	12.35%
Community services	601,699	453,929	24.56%
School district administrative support	5,058,050	4,965,752	1.82%
Debt service - interest on long-term debt	-	9,818	100.00%
Debt service - bond issuance cost and fees	-	37,724	100.00%
Payments related to shared services arrangements	13,367,504	14,392,211	-7.67%
Total Expenditures	<u>67,656,427</u>	<u>63,371,026</u>	6.33%
<b>Increase (Decrease) in Net Position</b>	<u>\$ (967,780)</u>	<u>\$ 1,107,041</u>	214.39%

Table A-3 presents the cost of each of the Center’s largest functions as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local revenues.

- The cost of all *governmental* activities decreased by 6.33% this year ending at \$63,371,026. Some of the cost was paid by those who directly benefited from the programs \$20,132,427 or by grants and contributions totaling \$39,538,243.

**Table A-3**  
**Net Cost of Selected Center's Functions**

	Total Cost of Services		Total
	<u>2020</u>	<u>2021</u>	<u>% Change</u>
Instruction	\$17,634,866	\$11,525,286	-34.64%
Instructional resources and media services	1,339,955	1,385,098	3.37%
Curriculum and instructional staff development	15,653,103	15,904,392	1.61%
Instructional leadership	3,973,953	3,834,959	-3.50%
General administration	2,727,682	3,586,556	31.49%
Facilities maintenance and operations	1,761,916	2,333,382	32.43%
Data processing services	4,483,098	3,929,397	-12.35%
School district administrative support	5,058,050	4,965,752	-1.82%
Payments related to shared services arrangements	13,367,504	14,392,211	7.67%

## FINANCIAL ANALYSIS OF THE CENTER’S FUNDS

Revenues from governmental fund types totaled \$64,478,067, a decrease of .81% over the preceding year. The decrease in local revenues is primarily a result of a decrease in services by Curriculum, Instruction, and Assessment. The decrease in operating grants and contributions of .13% is due to a decrease reimbursable services in grant allocations. The decrease in expenditures across all functions of \$3 million is primarily due to a decrease in instructional related expenditures

### General Fund Budgetary Highlights

Over the course of the year, the Center revised and the Board of Directors approved the budget on a monthly basis. Actual expenditures were \$6,426,174 below final budget amounts. Some local programs expended less than appropriations. On the other hand, resources available were \$3,275,486 under the final budgeted amount.

### CAPITAL ASSETS

At the end of 2021, the Center had invested \$37,517,179 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase of \$3,218,189 or 9.38% over last year. The center disposed of equipment through auction and other allowable methods.

**Table A-4  
Center's Capital Assets**

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2020</u>	<u>2021</u>	<u>% Change</u>
Land	\$ 212,653	\$ 212,653	0.00%
Buildings and improvements	21,144,335	34,921,572	65.16%
Equipment	2,419,106	2,382,924	-1.50%
Construction in Progress	10,522,866	-	-100.00%
Totals at historic cost	<u>34,298,960</u>	<u>37,517,149</u>	9.38%
Total accumulated depreciation	<u>(14,859,739)</u>	<u>(15,905,807)</u>	7.04%
Net capital assets	<u>\$ 19,439,221</u>	<u>\$ 21,611,342</u>	11.17%

The Center's fiscal year 2020-21 capital budget projects has earmarked for construction an additional \$3,278,310 loan proceed; principally for completion of the improvements to the Edinburg building. More detailed information about the Center's capital assets is presented in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The Texas Education Agency appropriated the same of state base funds and approximately the same federal funds to the Center for 2021-2022.

These indicators were taken into account when adopting the general fund budget for 2022. Amounts available for appropriation in the general fund budget are \$26,536,277 a increase of 7.7% over the final 2021 budget of \$24,637,720. The original budget for 2021-22 represents conservative figures.

Expenditures are budgeted to increase by 30.34% to \$25,536,277 as compared to the final expenditure budget for 2021. The increase is also due to budgeting conservative amounts for new initiatives. If these estimates are realized, the Center's budgetary general fund balance is not expected to change by the close of 2022.

**CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Center's Business Services Department at (956) 984-6290.

REGION ONE EDUCATION SERVICE CENTER  
STATEMENT OF NET POSITION  
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 9,632,547
1120 Current Investments	9,032,258
1240 Due from Other Governments	12,116,557
1267 Due from Fiduciary Funds	3
1290 Other Receivables, Net	107,321
1300 Inventories	77,315
1410 Prepayments	44,474
1490 Other Current Assets	404
Capital Assets:	
1510 Land	212,653
1520 Buildings, Net	21,236,034
1530 Furniture and Equipment, Net	162,655
1000 Total Assets	52,622,221
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	6,247,571
1706 Deferred Outflow Related to TRS OPEB	3,618,457
1700 Total Deferred Outflows of Resources	9,866,028
<b>LIABILITIES</b>	
2110 Accounts Payable	371,814
2150 Payroll Deductions and Withholdings	376,507
2160 Accrued Wages Payable	271,105
2180 Due to Other Governments	2,202,253
2200 Accrued Expenses	2,596
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	558,200
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	6,441,800
2540 Net Pension Liability (District's Share)	15,219,667
2545 Net OPEB Liability (District's Share)	16,071,260
2000 Total Liabilities	41,515,202
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	1,989,515
2606 Deferred Inflow Related to TRS OPEB	11,768,281
2600 Total Deferred Inflows of Resources	13,757,796
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	14,611,342
Restricted:	
3820 Restricted for Federal and State Programs	1,169,937
3890 Restricted for Other Purposes	1,321,134
3900 Unrestricted	(9,887,162)
3000 Total Net Position	\$ 7,215,251

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

REGION ONE EDUCATION SERVICE CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 11,525,286	\$ 2,608,037	\$ 8,230,980	\$ (686,269)
12 Instructional Resources and Media Services	1,385,098	1,102,694	-	(282,404)
13 Curriculum and Instructional Staff Development	15,904,392	7,057,158	9,202,719	355,485
21 Instructional Leadership	3,834,959	542,984	2,881,660	(410,315)
23 School Leadership	918,584	183,782	834,951	100,149
31 Guidance, Counseling, and Evaluation Services	93,772	-	93,772	-
34 Student (Pupil) Transportation	166	-	-	(166)
41 General Administration	3,586,556	2,389,171	-	(1,197,385)
51 Facilities Maintenance and Operations	2,333,382	735,130	975,281	(622,971)
53 Data Processing Services	3,929,397	2,940,518	607,386	(381,493)
61 Community Services	453,929	-	321,955	(131,974)
62 School District Administrative Support (ESC)	4,965,752	2,572,953	1,997,328	(395,471)
72 Debt Service - Interest on Long-Term Debt	9,818	-	-	(9,818)
73 Debt Service - Bond Issuance Cost and Fees	37,724	-	-	(37,724)
93 Payments Related to Shared Services Arrangements	14,392,211	-	14,392,211	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 63,371,026	\$ 20,132,427	\$ 39,538,243	(3,700,356)
Data Control Codes	General Revenues:			
	Taxes:			
SF	State Aid - Formula Grants			1,568,550
GC	Grants and Contributions not Restricted			3,220,537
IE	Investment Earnings			18,310
TR	Total General Revenues			4,807,397
CN	Change in Net Position			1,107,041
NB	Net Position - Beginning			6,108,210
NE	Net Position - Ending			\$ 7,215,251

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

REGION ONE EDUCATION SERVICE CENTER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2021

Data Control Codes	10 General Fund	274 GEAR UP	287 Project Rise
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,858,078	\$ -	\$ -
1120 Investments - Current	4,915,787	-	-
1240 Due from Other Governments	1,866,265	2,110,597	4,599,815
1260 Due from Other Funds	13,115,270	-	-
1290 Other Receivables	107,071	-	-
1410 Prepayments	44,474	-	-
1000 Total Assets	<u>\$ 25,906,945</u>	<u>\$ 2,110,597</u>	<u>\$ 4,599,815</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 8,170	\$ 148,860	\$ 207,951
2150 Payroll Deductions and Withholdings Payable	376,507	-	-
2160 Accrued Wages Payable	208,318	-	-
2170 Due to Other Funds	622,571	1,773,469	2,667,565
2180 Due to Other Governments	56,907	188,268	1,724,299
2200 Accrued Expenditures	391	-	-
2000 Total Liabilities	<u>1,272,864</u>	<u>2,110,597</u>	<u>4,599,815</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	1,321,134	-	-
Committed Fund Balance:			
3510 Construction	-	-	-
3545 Other Committed Fund Balance	6,641,800	-	-
3600 Unassigned Fund Balance	16,671,147	-	-
3000 Total Fund Balances	<u>24,634,081</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 25,906,945</u>	<u>\$ 2,110,597</u>	<u>\$ 4,599,815</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 841,931	\$ 1,597,904	\$ 8,297,913
3,644,362	-	8,560,149
-	3,276,332	11,853,009
-	404,854	13,520,124
-	-	107,071
-	-	44,474
<u>\$ 4,486,293</u>	<u>\$ 5,279,090</u>	<u>\$ 42,382,740</u>
\$ -	\$ 6,833	\$ 371,814
-	-	376,507
-	62,787	271,105
4,410,064	3,804,549	13,278,218
-	232,779	2,202,253
-	2,205	2,596
<u>4,410,064</u>	<u>4,109,153</u>	<u>16,502,493</u>
-	1,169,937	1,169,937
-	-	1,321,134
76,229	-	76,229
-	-	6,641,800
-	-	16,671,147
<u>76,229</u>	<u>1,169,937</u>	<u>25,880,247</u>
<u>\$ 4,486,293</u>	<u>\$ 5,279,090</u>	<u>\$ 42,382,740</u>

REGION ONE EDUCATION SERVICE CENTER  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2021

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	25,880,247
1 The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.		2,043,283
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$34,298,960 and the accumulated depreciation was (\$14,859,739). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		19,252,053
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2021 capital outlays and debt principal payments is to increase (decrease) net position.		(3,726,978)
4 Included in the items related to debt is the recognition of the Center's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$6,247,571, a deferred resource inflow in the amount of \$1,989,515, and a net pension liability in the amount of \$15,219,667. This resulted in an increase (decrease) in net pension.		(10,961,611)
5 Included in the items related to debt is the recognition of the Center's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$3,618,457, a deferred resource inflow in the amount of \$11,768,281, and a net OPEB liability in the amount of \$16,071,260. This resulted in an increase (decrease) in net pension.		(24,221,084)
6 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to increase ( decrease) net position.		(1,050,659)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>7,215,251</b>

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

REGION ONE EDUCATION SERVICE CENTER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	274 GEAR UP	287 Project Rise
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 19,848,633	\$ -	\$ -
5800 State Program Revenues	2,715,164	-	-
5900 Federal Program Revenues	2,073,923	9,800,071	11,354,422
5020 Total Revenues	<u>24,637,720</u>	<u>9,800,071</u>	<u>11,354,422</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	2,900,673	1,047,847	-
0012 Instructional Resources and Media Services	1,335,434	-	-
0013 Curriculum and Instructional Staff Development	5,832,498	2,156,230	1,927,020
0021 Instructional Leadership	686,936	727,643	639,851
0023 School Leadership	8,470	-	-
0031 Guidance, Counseling, and Evaluation Services	-	93,772	-
0041 General Administration	2,789,483	-	-
0051 Facilities Maintenance and Operations	839,488	127,168	83,869
0053 Data Processing Services	3,121,792	51,168	30,535
0061 Community Services	36,304	60,206	-
0062 School District Administrative Support (ESC Only)	2,760,322	-	-
Debt Service:			
0072 Interest on Long-Term Debt	9,818	-	-
0073 Bond Issuance Cost and Fees	37,724	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	5,536,037	8,673,147
6030 Total Expenditures	<u>20,358,942</u>	<u>9,800,071</u>	<u>11,354,422</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,278,778</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7914 Non-Current Loans	7,000,000	-	-
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(6,029,954)	-	-
7080 Total Other Financing Sources (Uses)	<u>970,046</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	5,248,824	-	-
0100 Fund Balance - September 1 (Beginning)	19,385,257	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 24,634,081</u>	<u>\$ -</u>	<u>\$ -</u>

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

	60 Capital Projects	Other Funds	Total Governmental Funds
\$	-	\$ 302,104	\$ 20,150,737
	-	2,314,895	5,030,059
	-	16,068,855	39,297,271
	-	18,685,854	64,478,067
	-	7,232,642	11,181,162
	-	-	1,335,434
	-	5,415,181	15,330,929
	-	1,516,211	3,570,641
	-	834,951	843,421
	-	-	93,772
	-	-	2,789,483
	-	771,450	1,821,975
	-	529,087	3,732,582
	-	267,971	364,481
	-	1,997,328	4,757,650
	-	-	9,818
	-	-	37,724
	3,254,371	-	3,254,371
	-	183,027	14,392,211
	3,254,371	18,747,848	63,515,654
	(3,254,371)	(61,994)	962,413
	-	-	7,000,000
	5,212,041	380,058	5,592,099
	-	-	(6,029,954)
	5,212,041	380,058	6,562,145
	1,957,670	318,064	7,524,558
	(1,881,441)	851,873	18,355,689
\$	76,229	\$ 1,169,937	\$ 25,880,247

REGION ONE EDUCATION SERVICE CENTER  
 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, 2021

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	7,524,558
<p>The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.</p>		
		(257,220)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2021 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		(3,726,978)
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to increase (decrease) net position.</p>		
		(1,050,659)
<p>GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,025,783. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change net position totaling \$1,164,197. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by \$1,543,469. The net result is an increase (decrease) in the change in net position.</p>		
		(1,681,883)
<p>GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$278,298. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change net position totaling \$314,010. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (increased) decreased the change in net position by \$(334,935). The net result is an increase (decrease) in the change in net position.</p>		
		299,223
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>1,107,041</u>

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

REGION ONE EDUCATION SERVICE CENTER  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2021

	Governmental Activities -
	Total Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,334,635
Investments - Current	472,109
Due from Other Governments	263,548
Due from Other Funds	337,754
Other Receivables	249
Inventories	77,315
Other Current Assets	404
Total Current Assets	2,486,014
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	85,813
Furniture and Equipment	823,583
Depreciation on Furniture and Equipment	(772,469)
Total Noncurrent Assets	136,927
Total Assets	2,622,941
<b>LIABILITIES</b>	
Current Liabilities:	
Due to Other Funds	579,658
Total Liabilities	579,658
<b>NET POSITION</b>	
Unrestricted Net Position	2,043,283
Total Net Position	\$ 2,043,283

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

REGION ONE EDUCATION SERVICE CENTER  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 3,084,873
Total Operating Revenues	<u>3,084,873</u>
OPERATING EXPENSES:	
Payroll Costs	1,286,868
Professional and Contracted Services	1,685,227
Supplies and Materials	646,246
Other Operating Costs	106,077
Depreciation Expense	55,530
Total Operating Expenses	<u>3,779,948</u>
Income (Loss) Before Transfers	(695,075)
Transfer In	<u>437,855</u>
Change in Net Position	(257,220)
Total Net Position - September 1 (Beginning)	<u>2,300,503</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 2,043,283</u></u>

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

REGION ONE EDUCATION SERVICE CENTER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 3,084,874
Cash Received from Assessments - Other Funds	152,025
Cash Payments to Employees for Services	(1,286,867)
Cash Payments for Contracted Services	(1,685,227)
Cash Payments for Suppliers	(646,246)
Cash Payments for Other Operating Expenses	(161,431)
Cash Payments for Assessments - Other Funds	(297,152)
Net Cash Used for Operating Activities	(840,024)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	437,855
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	(5,289)
Net Decrease in Cash and Cash Equivalents	(407,458)
Cash and Cash Equivalents at Beginning of Year	2,214,202
Cash and Cash Equivalents at End of Year	\$ 1,806,744
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (695,075)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	55,530
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due From Other Governments	(174,428)
Decrease (increase) in Inventories	(20,866)
Decrease (increase) in Due From Other Funds	70,227
Increase (decrease) in Accounts Payable	(151,178)
Increase (decrease) in Due To Other Governments	(4,820)
Increase (decrease) in Due To Other Funds	80,586
Net Cash Used for Operating Activities	\$ (840,024)

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

REGION ONE EDUCATION SERVICE CENTER  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2021

	Private Purpose Trust Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 149,031
Due from Other Governments	2,625
Total Assets	\$ 151,656
LIABILITIES	
Due to Other Funds	\$ 3
Due to Student Groups	151,653
Total Liabilities	\$ 151,656

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

REGION ONE EDUCATION SERVICE CENTER  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Contributions, Gifts and Donations	\$ 16,717
Total Additions	<u>16,717</u>
<b>DEDUCTIONS:</b>	
Payroll Costs	907
Professional and Contracted Services	12,495
Supplies and Materials	2,358
Other Deductions	957
Total Deductions	<u>16,717</u>
Change in Fiduciary Net Position	-
Total Net Position - September 1 (Beginning)	<u>-</u>
Total Net Position - August 31 (Ending)	<u><u>\$ -</u></u>

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

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Region One Education Service Center (the “Center”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board of Directors (“Board”), a seven-member group, has governance responsibilities over all activities related to educational services within the jurisdiction of the Center. The Center prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

*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.

*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.

As of August 31, 2021, Region One Education Service Center retrospectively/prospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board is elected by the member school boards, which in turn are elected by the public. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The Center receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the Center is not included in any other governmental “reporting entity” as defined by the GASB and there are no component units within the reporting entity.

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 Center with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the Center operates have shared in the payment of the direct costs. The “charges for services” column include payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the Center.

The Center provides executive, administrative, instructional and business support services in the form of staff development to school districts within the service area. The “grants and contributions” column includes amounts paid by organizations outside the Center to help meet the operational or capital requirements of a given function. Examples include grants through the Department of Education, Department of Health & Human Services, Texas Education Agency, Texas Workforce Commission, Texas Department of Agriculture and Early Childhood Intervention. If revenue is not program revenue, it is general revenue used to support all of the Center’s functions.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position 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 Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements.

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 Center operations, they are not included in the government-wide statements. The Center 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 nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**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 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

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 and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Center considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of workshop fees, and co-op consortium membership fees. 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.

The Proprietary Fund Types and Fiduciary Funds 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. The Center applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. 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 invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

**D. BASIS OF PRESENTATION - FUND ACCOUNTING**

The Center reports the following major governmental funds:

1. **General Fund** - is used to account for financial resources used for general operations. This is a budgeted fund, and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds, are accounted for in this fund.
2. **GEAR UP** - is used to account for resources restricted to or designated for the implementation and monitoring of the student's academic progress.
3. **Project Rise** - is used to account for resources restricted to or designated for the creation of a K-12th grade pipeline of highly-effective teachers, leaders and educators to increase ALL students' academic achievement, graduation rates and college enrollment.
4. **Capital Projects Fund** - is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. BASIS OF PRESENTATION - FUND ACCOUNTING**

Additionally, the Center reports the following fund type(s):

Governmental Funds:

1. ***Special Revenue Funds*** - are used to account for resources restricted to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. ***Debt Service Fund*** - is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The Center has no Debt Service Fund.
3. ***Permanent Funds*** - is used to account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the Center's programs. The Center has no Permanent Funds.

Proprietary Funds:

1. ***Internal Service Funds*** - are used to account for revenues and expenses related to services provided to organizations inside the Center on a cost reimbursement basis are accounted for in an internal service fund.

Fiduciary Funds:

1. ***Private Purpose Trust Fund*** - are used to account for donations, which have stipulations that the principal may not be expended; and the income earned may only be used for a specific purpose. The Center's Private Purpose Trust Funds are the Region One School Board Association and RGV Association of School Librarians.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional and office items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
4. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities' columns in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. OTHER ACCOUNTING POLICIES**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the Center are straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Vehicles	6
Office Equipment	3-5
Computer Equipment	3

5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change for future construction needs.
6. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Center is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:
  - **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
  - **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
  - **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution by the Board. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the Center does not have. Board commitments must occur before the end of the reporting period with amounts to be determined subsequently.
  - **Assigned:** This classification includes amounts that are constrained by the Center's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or the Executive Director.
  - **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. OTHER ACCOUNTING POLICIES**

The order of spending and availability shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

7. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement elements, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.
8. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.
9. Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts and service centers to display these codes in the financial statements filed with the agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
11. The Center is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year, the Center purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
12. Indirect expenses are charged upon a service center-wide cost allocation plan, which allocates these costs based upon the number of full time equivalents.
13. Sometimes the Center will fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Directors adopts an “appropriated budget” for the General Fund. The Center is required to present the adopted and final amended budgeted revenues and expenditures. The Center compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

1. Prior to August 20<sup>th</sup> the Center prepares a budget for the next succeeding fiscal year beginning September 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1<sup>st</sup>, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. 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. During the year, the budget was amended, as necessary.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse on August 31<sup>st</sup>, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended August 31, 2021, expenditures exceed appropriations in the following functions as noted:

<u>General Fund Function</u>	<u>Amount</u>
23 School Leadership	\$ 8,470
73 Bond Issuance Cost and Fees	37,724

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

**Cash and Cash Equivalents**

Center Policies and Legal Contractual Provisions Governing Deposits

*Custodial Credit Risk for Deposits* – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the center complies with this law, it has no custodial credit risk for deposits.

*Foreign Currency Risk for Deposits* – The Center limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. At year-end, the Center was not exposed to foreign risk.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

As of August 31, 2021, the following are the Center’s cash and cash equivalents with respective maturities and credit ratings:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less Than One Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity In Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 9,632,547	-	\$ -	\$ -	\$ -	N/A
Investment Pools:						
TexPool	\$ 1,678,304	100.00%	\$ 1,678,304	\$ -	\$ -	AAAm
Texas Class Investment	7,353,954	100.00%	7,353,954	-	-	AAAm
Total Investment Pools:	<u>\$ 9,032,258</u>	<u>100.00%</u>	<u>\$ 9,032,258</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Cash and Cash Equivalents	<u>\$ 18,664,805</u>	<u>100.00%</u>	<u>\$ 9,032,258</u>			

**Investments**

Center Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Region One Education Service Center is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Region One Education Service Center are specified below:

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

**Credit Risk** – In accordance with state law and the Center’s investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalents. As of August 31, 2021, the center's investments in TexPool was rated AAAM by Standard and Poor’s (S&P), Texas Class was rated AAAM by Standard and Poor’s (S&P).

**Custodial Credit Risk for Investments** – To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the Center requires counterparties to register the securities in the name of the Center and hand them over to the Center or its designated agent. This includes securities in securities lending transactions. All of the securities are in the Center's name and held by the Center or its agent.

**Concentration of Credit Risk** – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the Center limits investments to less than 5% of its total investments. The Center further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

**Interest Rate Risk** – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the Center does not purchase any investments greater than five (5) years for its operating funds.

**Foreign Currency Risk for Investments** – The Center limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the Center was not exposed to foreign currency risk.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the general-purpose financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Center adhered to the requirements of the Act. Additionally, investment practices of the Center were in accordance with local policies.

The Center’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

As of August 31, 2021, the Center had the following investments subject to the fair value measurement (dollar amounts are in thousands).

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
TexPool	\$ 1,678,304	\$ 1,678,304	\$ -	\$ -	\$ -
Texas Class Investment	7,353,954	7,353,954	-	-	-
Total	<u>\$ 9,032,258</u>	<u>\$ 9,032,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**B. DUE FROM OTHER GOVERNMENTS**

The Center participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of August 31, 2021, are summarized below. Some federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other Governments	Total
General Fund	\$ 18,982	\$ -	\$ 1,847,283	\$ 1,866,265
Gear Up	-	2,110,597	-	2,110,597
Project Rise	-	4,599,815	-	4,599,815
Other Funds	1,888,698	1,372,366	15,268	3,276,332
Internal Service Fund	-	-	263,548	263,548
Total	<u>\$ 1,907,680</u>	<u>\$ 8,082,778</u>	<u>\$ 2,126,099</u>	<u>\$ 12,116,557</u>

**C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at August 31, 2021, consisted of the following individual fund balances:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 5,125,119
General Fund	Special Revenue Funds	7,722,496
General Fund	Trust and Agency Fund	3
Special Revenue Funds	General Fund	282,264
Special Revenue Funds	Special Revenue Funds	122,590
Internal Service Fund	General Fund	25,831
Internal Service Fund	Internal Service Fund	579,575
Total		<u>\$ 13,857,878</u>

The entire balance of \$13,857,878 resulted from end of year reclassifications made between the General Fund and other funds.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**D. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

As of August 31, 2021, the Center reevaluated the allowance for uncollectible accounts in the General Fund for outstanding accounts receivable balances. The Center's accounts receivable balance within the general fund consists of \$107,071 with no allowance at year end.

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the Center for the year ended August 31, 2021, was as follows:

	Balance		<u>Changes During Year</u>			Balance
	9/1/2020	Additions	Retirements	Reclassifications	8/31/2021	
Governmental Activities:						
Land	\$ 212,653	\$ -	\$ -	\$ -	\$ 212,653	
Buildings & Improvements	21,144,335	-	-	13,777,237	34,921,572	
Furniture & Equipment	2,419,106	23,939	(60,121)	-	2,382,924	
Construction in Progress	10,522,866	3,254,371	-	(13,777,237)	-	
Totals at Historic Cost	<u>34,298,960</u>	<u>3,278,310</u>	<u>(60,121)</u>	<u>-</u>	<u>37,517,149</u>	
Less Accumulated Depreciation:						
Buildings & Improvements	(12,665,397)	(1,020,141)	-	-	(13,685,538)	
Furniture & Equipment	(2,194,342)	(86,048)	60,121	-	(2,220,269)	
Total Accumulated Depreciation	<u>(14,859,739)</u>	<u>(1,106,189)</u>	<u>60,121</u>	<u>-</u>	<u>(15,905,807)</u>	
Governmental Activities						
Capital Assets, Net	<u>\$ 19,439,221</u>	<u>\$ 2,172,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,611,342</u>	

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 29,080
12 Instructional Resources & Media Services	46,691
13 Curriculum & Instructional Staff Development	118,293
21 Instructional Leadership	23,952
34 Student (Pupil) Transportation	166
41 General Administration	62,275
51 Facilities Maintenance & Operations	505,460
53 Data Processing Services	146,865
61 Community Services	72,654
62 School District Administrative Support (ESC only)	45,223
In addition, depreciation on capital assets held by the Center's Internal Service Fund charged to the various functions based on their usage of the assets	<u>55,530</u>
Totals	<u>\$ 1,106,189</u>

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**F. LONG-TERM OBLIGATIONS**

Loan Payable

On August 2021, the Center entered into a contract with Lone Star National Bank to finance the Center's building expansion. Loan payable for the year ended August 31, 2021, was as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Interest Current Year</u>	<u>Balance 9/1/2020</u>	<u>Principal Issued</u>	<u>Principal Retired</u>	<u>Balance 8/31/2021</u>
Loan Payable	\$ 7,000,000	2.96%	\$ 9,818	\$ -	\$ 7,000,000	\$ -	\$ 7,000,000
Total				<u>\$ -</u>	<u>\$ 7,000,000</u>	<u>\$ -</u>	<u>\$ 7,000,000</u>

The debt service requirements for the loan payable are as follows:

<u>Year Ended August 31,</u>	<u>Loan Payable</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2022	\$ 558,200	\$ 185,448	\$ 743,648
2023	626,330	184,921	811,251
2024	644,946	166,306	811,252
2025	665,045	146,207	811,252
2026	685,298	125,954	811,252
2027-2031	3,752,287	303,971	4,056,258
2032-2036	67,894	173	68,067
Total	<u>\$ 7,000,000</u>	<u>\$ 1,112,980</u>	<u>\$ 8,112,980</u>

Activity in Long-Term Debt for the Center for the year ended August 31, 2021, was as follows:

<u>Governmental Activities</u>	<u>Balance 9/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 8/31/2021</u>	<u>Current Portion</u>
Loan Payable	\$ -	\$ 7,000,000	\$ -	\$ 7,000,000	\$ 558,200
Net Pension Liability	14,080,185	2,311,983	1,172,501	15,219,667	-
Net OPEB Liability	19,280,688	(2,888,096)	321,332	16,071,260	-
Totals	<u>\$ 33,360,873</u>	<u>\$ 6,423,887</u>	<u>\$ 1,493,833</u>	<u>\$ 38,290,927</u>	<u>\$ 558,200</u>

**G. COMMITMENTS UNDER LEASES**

Operating (Noncapitalized) Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2021, are as follows:

<u>Year ending August 31,</u>	
2022	\$ 83,959
2023	83,959
Total Minimum Rentals	<u>\$ 167,918</u>

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**H. LITIGATION**

The Center's attorney reports no pending or threatened lawsuits, claims or assessments, including civil rights complaints.

**I. COMMITMENTS AND CONTINGENCIES**

The Center participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**J. PROPERTY INSURANCE AND PERSONNEL BONDS**

The Center carries insurance on the building in the amount of \$33,571,114. Contents and valuable papers and records to "Direct Physical loss, replacement cost Business Personal Property" in the amount of \$9,778,729. Vehicles are insured at actual cash value and each vehicle carries property damage and medical liability insurance as required by state law. All employees are bonded for \$250,000 each under blanket coverage. Premiums, although covering periods extending into subsequent years, are recorded as expenditures at the time of purchase.

**K. DEFINED PENSION PLAN**

**Plan Description.** The Center participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan 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.

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**K. DEFINED PENSION PLAN**

**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 benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

**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 percent of the member’s annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if it increases the period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceed 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Employee contribution rates are set in state statute, Texas Government Code 825.402. SB12 in the 86th Legislature set contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. Contribution Rates can be found in the TRS 2020 CAFR, Note 11, on page 82.

<b>Contribution Rates</b>		
	<b>2020</b>	<b>2021</b>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year employer contributions		\$ 1,025,783
Current fiscal year member contributions		\$ 1,735,221
2020 measurement year NECE on-behalf contributions		\$ 1,145,048

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).

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 Plan during the fiscal year reduced by the employer contributions. Employers (including public 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 of an employee’s salary is paid by federal funding sources, a privately sponsored source.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**K. DEFINED PENSION PLAN**

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

- Employers must contribute 1.5 percent of the member’s salary (“Public Education Employer Surcharge”).
- 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.

*Actuarial Assumptions.*

**Roll Forward** - The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. 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 projection scale U-MP.

The following table discloses the assumptions that were applied to this measurement period.

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
	2.33% - 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."
Municipal Bond Rate as of August 2020	
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the TRS actuarial valuation report date November 14, 2019.

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**K. DEFINED PENSION PLAN**

*Discount Rate.* The single discount rate used to measure the total pension liability was 7.25 percent. 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 the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required 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 9.66 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020, are presented in the Asset Allocations the following table from the TRS Comprehensive Annual Financial Report for 2020, page 53:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy and Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	-0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Expected Return	100.00%		7.33%

\* Target allocations are based on the FY2020 policy model.

\*\* Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**K. DEFINED PENSION PLAN**

*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. The discount rate can be found in the 2020 TRS CAFR, Note 11, page 84.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the net pension liability:	\$ 23,468,454	\$ 15,219,667	\$ 8,517,708

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31 2021, the Center reported a liability of \$15,219,667 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Center. The amount recognized by the Center 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 Center were as follows:

Center's proportionate share of the collective net pension liability	\$ 15,219,667
State's proportionate share that is associated with the Center	<u>14,863,334</u>
Total	<u>\$ 30,083,001</u>

The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2019 rolled forward to August 31, 2020. 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0284171895%, which was an increase of 0.0013311222% from its proportion measured as of August 31, 2019.

*Changes Since the Prior Actuarial Valuation.* There were no changes in assumptions since the prior measurement date.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound, and the Legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018, received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

For the year ended August 31, 2021, the Center recognized pension expense of \$4,495,395 and revenue of \$1,787,729 for support provided by the State in the Government Wide Statement of Activities.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**K. DEFINED PENSION PLAN**

At August 31, 2021, the Center 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
Differences between expected and actual actuarial experiences	\$ 27,790	\$ 424,741
Changes in actuarial assumptions	3,531,504	1,501,571
Differences between projected and actual investment earnings	308,109	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,354,385	63,203
Contributions paid to TRS subsequent to the measurement date	1,025,783	-
Total as of fiscal year-end	\$ 6,247,571	\$ 1,989,515

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31,</u>	<u>Pension Expense Amount</u>
2022	\$ 917,489
2023	1,025,722
2024	956,174
2025	369,746
2026	(60,808)
Thereafter	23,950

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Plan Description.** The Center 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 with 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.

**OPEB Plan Fiduciary Net Position.** Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$277,490,586 as of August 31, 2020.

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$135	\$200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

**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 participating employers based upon on active employee compensation. 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 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65 percent of salary. Section 1575.204 establishes a public school 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 employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75 percent of each active employee’s pay for fiscal year 2020. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	<u>2020</u>	<u>2021</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Fundings Remitted By Employers	1.25%	1.25%
Current fiscal year employer contributions	\$ 278,298	
Current fiscal year member contributions	\$ 146,479	
2020 measurement year NECE on-behalf contributions	\$ 431,787	

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When employers hire a TRS retiree, employers are required to pay TRS Care a monthly surcharge of \$535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

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 for healthy lives 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).

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2019 Rolled Forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Discount Rate.** A single discount rate of 2.33 percent was used to measure the Total OPEB Liability. There was a decrease of 0.30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS CAFR on page 76. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
Proportionate share of the net OPEB liability:	\$ 19,285,475	\$ 16,071,260	\$ 13,532,491

**Healthcare Cost Trend Sensitivity Analysis.** The following presents 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 Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 13,128,160	\$ 16,071,260	\$ 19,991,053

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2021, the Center reported a liability of \$16,071,260 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Center. The amount recognized by the Center 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 Center were as follows:

Center's proportionate share of the collective net pension liability	\$ 16,071,260
State's proportionate share that is associated with the Center	21,595,921
Total	\$ 37,667,181

The Net OPEB Liability was measured as of August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer’s proportion of the collective Net OPEB Liability was 0.0422766396% which was an increase of 0.0015065191% from its proportion measured as of August 31, 2019.

REGION ONE EDUCATION SERVICE CENTER  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

*Changes in Actuarial Assumptions 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: These can be found in the TRS ACFR on page 76.

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

*Changes in Benefit Terms:* There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the Center recognized OPEB expense of \$(170,879) and revenue of \$(149,954) for support provided by the State.

At August 31, 2021, the Center 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
Differences between expected and actual actuarial experiences	\$ 841,485	\$ 7,355,030
Changes in actuarial assumptions	991,263	4,413,251
Differences between projected and actual investment earnings	5,222	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,502,189	-
Contributions paid to TRS subsequent to the measurement date	278,298	-
Total as of fiscal year-end	\$ 3,618,457	\$ 11,768,281

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year ended August 31,</u>	<u>OPEB Expense Amount</u>
2022	\$ (1,442,689)
2023	(1,443,387)
2024	(1,443,787)
2025	(1,443,677)
2026	(1,014,411)
Thereafter	(1,640,171)

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**M. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES**

*Plan Description.* During the year ended August 31, 2021, employees of the Center were covered by a health insurance plan (the “Plan”). The Center paid premiums of \$618 per month per full-time employee, \$267 per month for part-time employee, respectively, to the Plan and employees, at their option, authorized payroll withholdings to pay contributions or 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 Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by AETNA, Allegian HMO Plan. Caremark administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Medicare Part D.* Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. These on-behalf payments of \$102,192, \$125,269, and \$94,789 were recognized for the years ended August 31, 2021, 2020, and 2019, respectively, as equal revenues and expenditures.

**N. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

At August 31, 2021, the Center had no liability for accrued sick leave or vacation leave.

**O. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**

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

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2021

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**P. SHARED SERVICE AGREEMENTS**

The Center is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides assistance to support various comprehensive professional development plans to the member districts listed below. The fiscal agent provides all services. According to guidance provided in TEA’s Resource Guide, the Center has accounted for fiscal agent’s activities of the SSA in a special revenue fund and will be accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

County District    Member Districts		Title II Part A	Title III Part A LEP	Title I Part C, Migrant
		342	350	301
24901	Brooks County ISD	\$ -	\$ -	\$ 3,286
240801	Gateway Academy Charter District	-	-	2,214
124901	Jim Hogg ISD	-	-	7,321
108914	La Villa ISD	-	-	8,410
245901	Lasara ISD	-	-	4,402
31906	Los Fresnos CISD	8,812	-	-
108804	Midvalley Academy Charter District	-	-	2,176
78103	Paso Del Norte Academy Charter	-	-	963
31909	Point Isabel ISD	8	-	-
214902	San Isidro ISD	-	-	2,595
245904	San Perlita ISD	50	-	2,439
31914	Santa Rosa ISD	335	-	3,697
31916	South Texas ISD	307	-	-
71803	Triumph Public HS - El Paso	-	-	3,280
108804	Triumph Public HS - Rio Grande Valley	-	2,002	5,345
240801	Triumph Public HS - Laredo	-	1,192	8,504
240904	Webb CONS ISD	-	-	1,459
		\$ 9,512	\$ 3,194	\$ 56,091

End of Notes

REGION ONE EDUCATION SERVICE CENTER  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 21,541,731	\$ 21,926,194	\$ 19,848,633	\$ (2,077,561)
5800 State Program Revenues	2,918,306	2,918,306	2,715,164	(203,142)
5900 Federal Program Revenues	2,112,625	2,943,908	2,073,923	(869,985)
5020 Total Revenues	26,572,662	27,788,408	24,637,720	(3,150,688)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	5,583,651	5,575,529	2,900,673	2,674,856
0012 Instructional Resources and Media Services	1,292,876	1,381,315	1,335,434	45,881
0013 Curriculum and Instructional Staff Development	6,279,555	6,992,731	5,832,498	1,160,233
0021 Instructional Leadership	775,860	779,283	686,936	92,347
0023 School Leadership	-	-	8,470	(8,470)
0041 General Administration	3,054,468	3,455,768	2,789,483	666,285
0051 Facilities Maintenance and Operations	851,997	1,063,380	839,488	223,892
0053 Data Processing Services	3,376,488	3,426,598	3,121,792	304,806
0061 Community Services	4,000	59,171	36,304	22,867
0062 School District Administrative Support (ESC Only)	3,540,817	3,580,237	2,760,322	819,915
Debt Service:				
0071 Principal on Long-Term Debt	809,658	291,374	-	291,374
0072 Interest on Long-Term Debt	-	179,730	9,818	169,912
0073 Bond Issuance Cost and Fees	-	-	37,724	(37,724)
6030 Total Expenditures	25,569,370	26,785,116	20,358,942	6,426,174
1100 Excess of Revenues Over Expenditures	1,003,292	1,003,292	4,278,778	3,275,486
<b>OTHER FINANCING SOURCES (USES):</b>				
7914 Non-Current Loans	-	7,000,000	7,000,000	-
8911 Transfers Out (Use)	-	(6,029,954)	(6,029,954)	-
7080 Total Other Financing Sources (Uses)	-	970,046	970,046	-
1200 Net Change in Fund Balances	1,003,292	1,973,338	5,248,824	3,275,486
0100 Fund Balance - September 1 (Beginning)	19,385,257	19,385,257	19,385,257	-
3000 Fund Balance - August 31 (Ending)	\$ 20,388,549	\$ 21,358,595	\$ 24,634,081	\$ 3,275,486

REGION ONE EDUCATION SERVICE CENTER  
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
Center's Proportion of the Net Pension Liability (Asset)	0.028417189%	0.027086067%	0.027329805%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 15,219,667	\$ 14,080,185	\$ 15,042,988
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Center	14,863,334	15,634,106	18,014,742
Total	\$ 30,083,001	\$ 29,714,291	\$ 33,057,730
Center's Covered Payroll	\$ 25,786,574	\$ 24,463,793	\$ 24,571,186
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	59.02%	57.56%	61.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.025970792%		0.024595365%		0.0254251%		0.014951%	
\$	8,304,060	\$	9,294,223	\$	8,987,434	\$	3,993,619
10,117,370		11,407,472		9,336,464		7,143,012	
\$	18,421,430	\$	20,701,695	\$	18,323,898	\$	11,136,631
\$	22,556,245	\$	20,168,432	\$	18,323,960	\$	18,323,960
36.81%		46.08%		49.05%		21.79%	
82.17%		78.00%		78.43%		83.25%	

REGION ONE EDUCATION SERVICE CENTER  
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 1,025,783	\$ 1,164,197	\$ 941,542
Contribution in Relation to the Contractually Required Contribution	(1,025,783)	(1,164,197)	(941,542)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 22,532,195	\$ 25,786,574	\$ 24,463,793
Contributions as a Percentage of Covered Payroll	4.55%	4.51%	3.85%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the Center's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2018	2017	2016	2015
\$	938,478	\$ 851,178	\$ 781,457	\$ 752,848
	(938,478)	(851,178)	(781,457)	(752,848)
\$	-	\$ -	\$ -	\$ -
\$	24,571,186	\$ 22,556,245	\$ 20,618,432	\$ 18,328,960
	3.82%	3.77%	3.79%	4.11%

REGION ONE EDUCATION SERVICE CENTER  
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Center's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.04227664%	0.04077012%	0.04068466%	0.039181105%
Center's Proportionate Share of Net OPEB Liability (Asset)	\$ 16,071,260	\$ 19,280,688	\$ 20,314,223	\$ 17,038,393
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the Center	21,595,921	25,619,724	15,721,741	13,398,780
Total	<u>\$ 37,667,181</u>	<u>\$ 44,900,412</u>	<u>\$ 36,035,964</u>	<u>\$ 30,437,173</u>
Center's Covered Payroll	\$ 25,786,574	\$ 24,463,793	\$ 24,931,186	\$ 22,556,245
Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	62.32%	78.81%	81.48%	75.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

REGION ONE EDUCATION SERVICE CENTER  
 SCHEDULE OF CENTER'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 278,298	\$ 314,010	\$ 281,740	\$ 282,885
Contribution in Relation to the Contractually Required Contribution	(278,298)	(314,010)	(281,740)	(282,885)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 22,532,195	\$ 25,786,574	\$ 24,463,793	\$ 24,931,186
Contributions as a Percentage of Covered Payroll	1.24%	1.22%	1.15%	1.13%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the Center's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2021

**Budgetary Information**

The Board of Trustees adopts an “appropriated budget” for the General Fund. The Center is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The Center compares the final amended budget to actual revenue and expenditures. The Center presented the General Fund budgetary comparison schedule as required supplementary information.

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

1. Prior to August 20, the Center prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the Center has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. The Center had not outstanding end-of-year encumbrances.

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2021

Data Control Codes	203 Child Care Development Block Grant	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	22,676	10,690	252,541	396,698
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 22,676</u>	<u>\$ 10,690</u>	<u>\$ 252,541</u>	<u>\$ 396,698</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 90
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	22,676	10,690	224,541	396,608
2180	Due to Other Governments	-	-	28,000	-
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	<u>22,676</u>	<u>10,690</u>	<u>252,541</u>	<u>396,698</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 22,676</u>	<u>\$ 10,690</u>	<u>\$ 252,541</u>	<u>\$ 396,698</u>

220 Adult Basic Education Federal	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
351,281	38,208	455,471	168,911	308,178	52,889	10,909	19,300
-	-	-	-	-	-	-	-
<u>\$ 351,281</u>	<u>\$ 38,208</u>	<u>\$ 455,471</u>	<u>\$ 168,911</u>	<u>\$ 308,178</u>	<u>\$ 52,889</u>	<u>\$ 10,909</u>	<u>\$ 19,300</u>
\$ 591	\$ -	\$ 749	\$ 2,350	\$ 320	\$ -	\$ -	\$ -
62,787	-	-	-	-	-	-	-
287,903	38,208	454,535	166,561	302,153	52,889	10,909	19,300
-	-	-	-	5,705	-	-	-
-	-	187	-	-	-	-	-
<u>351,281</u>	<u>38,208</u>	<u>455,471</u>	<u>168,911</u>	<u>308,178</u>	<u>52,889</u>	<u>10,909</u>	<u>19,300</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 351,281</u>	<u>\$ 38,208</u>	<u>\$ 455,471</u>	<u>\$ 168,911</u>	<u>\$ 308,178</u>	<u>\$ 52,889</u>	<u>\$ 10,909</u>	<u>\$ 19,300</u>

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2021

Data Control Codes	276 Title I - SIP Academy Grant	288 Project HEAL	289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	59,173	149,331	24,342
1260	Due from Other Funds	-	-	-
1000	<b>Total Assets</b>	<u>\$ 59,173</u>	<u>\$ 149,331</u>	<u>\$ 24,342</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	59,173	149,282	24,054
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	-	49	288
2000	<b>Total Liabilities</b>	<u>59,173</u>	<u>149,331</u>	<u>24,342</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 59,173</u>	<u>\$ 149,331</u>	<u>\$ 24,342</u>

342 SSA - ESEA Title II,A Training	350 SSA - III, A English Lang. Acquisition	385 Visually Impaired SSVI	405 ESC Gifted and Talented	429 Other State Special Revenue Funds	482 Financial Literacy	483 T-STEAM Training	490 Chapter 41
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,608	\$ 161,933	\$ 292,590
684	27,509	67,981	869	29,833	-	-	-
-	-	-	-	6,689	-	-	-
<u>\$ 684</u>	<u>\$ 27,509</u>	<u>\$ 67,981</u>	<u>\$ 869</u>	<u>\$ 36,522</u>	<u>\$ 75,608</u>	<u>\$ 161,933</u>	<u>\$ 292,590</u>
\$ -	\$ -	\$ -	\$ -	\$ 339	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
684	27,509	67,877	869	36,183	13	-	122,590
-	-	-	-	-	-	-	-
-	-	104	-	-	-	-	-
<u>684</u>	<u>27,509</u>	<u>67,981</u>	<u>869</u>	<u>36,522</u>	<u>13</u>	<u>-</u>	<u>122,590</u>
-	-	-	-	-	75,595	161,933	170,000
-	-	-	-	-	75,595	161,933	170,000
<u>\$ 684</u>	<u>\$ 27,509</u>	<u>\$ 67,981</u>	<u>\$ 869</u>	<u>\$ 36,522</u>	<u>\$ 75,608</u>	<u>\$ 161,933</u>	<u>\$ 292,590</u>

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2021

Data Control Codes	491 STAAR One Item Bank	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 254,925	\$ 812,848	\$ 1,597,904
1240 Due from Other Governments	13,868	1,401	2,462,743
1260 Due from Other Funds	122,590	-	129,279
1000 Total Assets	<u>\$ 391,383</u>	<u>\$ 814,249</u>	<u>\$ 4,189,926</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ -	\$ -	\$ 4,439
2160 Accrued Wages Payable	-	-	62,787
2170 Due to Other Funds	167,213	276,010	2,918,430
2180 Due to Other Governments	-	-	33,705
2200 Accrued Expenditures	-	-	628
2000 Total Liabilities	<u>167,213</u>	<u>276,010</u>	<u>3,019,989</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	224,170	538,239	1,169,937
3000 Total Fund Balances	<u>224,170</u>	<u>538,239</u>	<u>1,169,937</u>
4000 Total Liabilities and Fund Balances	<u>\$ 391,383</u>	<u>\$ 814,249</u>	<u>\$ 4,189,926</u>

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	203 Child Care Development Block Grant	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	264,640	27,518	950,272	1,379,838
5020 Total Revenues	264,640	27,518	950,272	1,379,838
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	-	-	-	17,209
0013 Curriculum and Instructional Staff Development	252,856	-	642,100	197,894
0021 Instructional Leadership	-	-	39,146	108,356
0023 School Leadership	-	-	-	-
0051 Facilities Maintenance and Operations	9,370	-	5,182	76,846
0053 Data Processing Services	2,414	439	13,692	94,211
0061 Community Services	-	-	-	44,491
0062 School District Administrative Support (ESC Only)	-	27,079	250,152	840,831
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	264,640	27,518	950,272	1,379,838
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

220 Adult Basic Education Federal	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
476,346	-	-	-	-	-	-	-
2,641,881	305,231	2,883,011	652,036	875,783	122,106	119,704	79,942
3,118,227	305,231	2,883,011	652,036	875,783	122,106	119,704	79,942
1,757,950	-	-	-	262,499	-	-	-
-	281,727	2,418,795	-	343,638	27,976	119,704	53,400
177,764	-	221,551	-	72,268	1,224	-	-
834,951	-	-	-	-	-	-	-
232,117	15,363	142,935	59,663	11,674	-	-	-
115,445	8,141	99,730	14,170	9,802	-	-	-
-	-	-	-	-	-	-	-
-	-	-	578,203	-	92,906	-	26,542
-	-	-	-	175,902	-	-	-
3,118,227	305,231	2,883,011	652,036	875,783	122,106	119,704	79,942
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	276 Title I - SIP Academy Grant	288 Project HEAL	289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	372,816	36,501	495,598	108,344
5020 Total Revenues	372,816	36,501	495,598	108,344
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	-	20,000	-	90,737
0013 Curriculum and Instructional Staff Development	372,816	11,200	119,501	-
0021 Instructional Leadership	-	-	-	129
0023 School Leadership	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	1,268	-
0053 Data Processing Services	-	-	6,914	-
0061 Community Services	-	-	191,306	12,472
0062 School District Administrative Support (ESC Only)	-	-	176,609	5,006
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	5,301	-	-
6030 Total Expenditures	372,816	36,501	495,598	108,344
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

342 SSA - ESEA Title II,A Training	350 SSA - III, A English Lang. Acquisition	385 Visually Impaired SSVI	405 ESC Gifted and Talented	429 Other State Special Revenue Funds	482 Financial Literacy	483 T-STEAM Training	490 Chapter 41
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,005	\$ -	\$ -
-	-	325,735	9,200	162,132	-	-	-
3,194	57,912	-	-	-	-	-	-
3,194	57,912	325,735	9,200	162,132	40,005	-	-
-	20,520	213,484	-	-	14,819	-	-
1,212	33,568	92,277	9,200	136,850	679	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,982	-	14,287	-	9,412	-	-	-
-	-	5,687	-	4,390	-	-	-
-	2,000	-	-	11,480	6,222	-	-
-	-	-	-	-	-	-	-
-	1,824	-	-	-	-	-	-
3,194	57,912	325,735	9,200	162,132	21,720	-	-
-	-	-	-	-	18,285	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	18,285	-	-
-	-	-	-	-	57,310	161,933	170,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,595	\$ 161,933	\$ 170,000

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	491 STAAR One Item Bank	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 145,033	\$ 117,066	\$ 302,104
5800 State Program Revenues	-	-	973,413
5900 Federal Program Revenues	-	71,444	11,447,771
5020 Total Revenues	<u>145,033</u>	<u>188,510</u>	<u>12,723,288</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	-	94,473	2,491,691
0013 Curriculum and Instructional Staff Development	295,033	-	5,410,426
0021 Instructional Leadership	-	5,568	626,006
0023 School Leadership	-	-	834,951
0051 Facilities Maintenance and Operations	3,693	9,568	593,360
0053 Data Processing Services	2,195	3,292	380,522
0061 Community Services	-	-	267,971
0062 School District Administrative Support (ESC Only)	-	-	1,997,328
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	183,027
6030 Total Expenditures	<u>300,921</u>	<u>112,901</u>	<u>12,785,282</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,888)	75,609	(61,994)
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	380,058	-	380,058
1200 Net Change in Fund Balance	224,170	75,609	318,064
0100 Fund Balance - September 1 (Beginning)	-	462,630	851,873
3000 Fund Balance - August 31 (Ending)	<u>\$ 224,170</u>	<u>\$ 538,239</u>	<u>\$ 1,169,937</u>

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2021

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 99,033	\$ 108,345	\$ 1,127,257	\$ 1,334,635
Investments - Current	472,109	-	-	472,109
Due from Other Governments	140,519	25	123,004	263,548
Due from Other Funds	-	81,534	256,220	337,754
Other Receivables	249	-	-	249
Inventories	77,315	-	-	77,315
Other Current Assets	-	-	404	404
Total Current Assets	<u>789,225</u>	<u>189,904</u>	<u>1,506,885</u>	<u>2,486,014</u>
Noncurrent Assets:				
Capital Assets:				
Buildings and Improvements	-	-	85,813	85,813
Furniture and Equipment	46,866	458,179	318,538	823,583
Depreciation on Furniture and Equipment	(41,753)	(362,019)	(368,697)	(772,469)
Total Noncurrent Assets	<u>5,113</u>	<u>96,160</u>	<u>35,654</u>	<u>136,927</u>
Total Assets	<u>794,338</u>	<u>286,064</u>	<u>1,542,539</u>	<u>2,622,941</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Due to Other Funds	<u>180,761</u>	<u>286,064</u>	<u>112,833</u>	<u>579,658</u>
Total Liabilities	<u>180,761</u>	<u>286,064</u>	<u>112,833</u>	<u>579,658</u>
<b>NET POSITION</b>				
Unrestricted Net Position	<u>613,577</u>	<u>-</u>	<u>1,429,706</u>	<u>2,043,283</u>
Total Net Position	<u>\$ 613,577</u>	<u>\$ -</u>	<u>\$ 1,429,706</u>	<u>\$ 2,043,283</u>

REGION ONE EDUCATION SERVICE CENTER  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
<b>OPERATING REVENUES:</b>				
Local and Intermediate Sources	\$ 457,821	\$ 635,097	\$ 1,991,955	\$ 3,084,873
Total Operating Revenues	<u>457,821</u>	<u>635,097</u>	<u>1,991,955</u>	<u>3,084,873</u>
<b>OPERATING EXPENSES:</b>				
Payroll Costs	297,435	751,938	237,495	1,286,868
Professional and Contracted Services	263,009	174,949	1,247,269	1,685,227
Supplies and Materials	46,612	77,744	521,890	646,246
Other Operating Costs	525	22,545	83,007	106,077
Depreciation Expense	176	45,776	9,578	55,530
Total Operating Expenses	<u>607,757</u>	<u>1,072,952</u>	<u>2,099,239</u>	<u>3,779,948</u>
Income (Loss) Before Transfers	(149,936)	(437,855)	(107,284)	(695,075)
Transfer In	<u>-</u>	<u>437,855</u>	<u>-</u>	<u>437,855</u>
Change in Net Position	(149,936)	-	(107,284)	(257,220)
Total Net Position - September 1 (Beginning)	<u>763,513</u>	<u>-</u>	<u>1,536,990</u>	<u>2,300,503</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 613,577</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,429,706</u></u>	<u><u>\$ 2,043,283</u></u>

REGION ONE EDUCATION SERVICE CENTER  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2021

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 457,821	\$ 635,097	\$ 1,991,956	\$ 3,084,874
Cash Received from Assessments - Other Funds	43,680	108,345	-	152,025
Cash Payments to Employees for Services	(297,434)	(751,938)	(237,495)	(1,286,867)
Cash Payments for Contracted Services	(263,009)	(174,949)	(1,247,269)	(1,685,227)
Cash Payments for Suppliers	(46,612)	(77,744)	(521,890)	(646,246)
Cash Payments for Other Operating Expenses	(525)	(68,321)	(92,585)	(161,431)
Cash Payments for Assessments - Other Funds	-	-	(297,152)	(297,152)
Net Cash Used For Operating Activities	<u>(106,079)</u>	<u>(329,510)</u>	<u>(404,435)</u>	<u>(840,024)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In	-	437,855	-	437,855
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>				
Acquisition of Capital Assets	<u>(5,289)</u>	<u>-</u>	<u>-</u>	<u>(5,289)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(111,368)	108,345	(404,435)	(407,458)
Cash and Cash Equivalents at Beginning of Year	<u>682,510</u>	<u>-</u>	<u>1,531,692</u>	<u>2,214,202</u>
Cash and Cash Equivalents at End of Year	<u>\$ 571,142</u>	<u>\$ 108,345</u>	<u>\$ 1,127,257</u>	<u>\$ 1,806,744</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Used for Operating Activities:</u>				
Operating Income (Loss):	\$ (149,936)	\$ (437,855)	\$ (107,284)	\$ (695,075)
Adjustments to Reconcile Operating Income				
to Net Cash Used for Operating Activities:				
Depreciation	176	45,776	9,578	55,530
Effect of Increases and Decreases in Current				
Assets and Liabilities:				
Decrease (increase) in Due From Other Governments	(71,669)	(25)	(102,734)	(174,428)
Decrease (increase) in Inventories	(20,866)	-	-	(20,866)
Decrease (increase) in Due From Other Funds	-	70,227	-	70,227
Increase (decrease) in Accounts Payable	(12,217)	(8,708)	(130,253)	(151,178)
Increase (decrease) in Due To Other Governments	-	-	(4,820)	(4,820)
Increase (decrease) in Due To Other Funds	<u>148,433</u>	<u>1,075</u>	<u>(68,922)</u>	<u>80,586</u>
Net Cash Used for Operating	<u>\$ (106,079)</u>	<u>\$ (329,510)</u>	<u>\$ (404,435)</u>	<u>\$ (840,024)</u>
Activities				



# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees of  
Region One Education Service Center  
Edinburg, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Region One Education Service Center (the Center) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated January 25, 2022.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Casco & Associates, PC". The signature is written in a cursive, flowing style.

Casco & Associates, PC  
Brownsville, Texas  
January 25, 2022



# Cascos & Associates, PC

Certified Public Accountants  
Audit/Accounting/Tax/Consulting

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

The Board of Trustees of  
Region One Education Service Center  
Edinburg, Texas

### **Report on Compliance for Each Major Federal and State Program**

We have audited the Region One Education Service Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grants Management Standards that could have a direct and material effect on each of the Center's major federal and state programs for the year ended August 31, 2021. The Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas Uniform Grant Management Standards (UGMS). Those standards, the Uniform Guidance, and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Center's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2021.

## Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and UGMS. Accordingly, this report is not suitable for any other purpose.

*Cascos & Associates, PC*

Cascos & Associates, PC  
Brownsville, Texas  
January 25, 2022

REGION ONE EDUCATION SERVICE CENTER  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2021

**I. Summary of the Auditors' Results:**

Financial Statements

Type of auditors' report on financial statements in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to the financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditors' report on compliance with major programs:	Unmodified
Any audit findings which are required to be reported in accordance with 2 CRF 200.516(a) or Texas Uniform Grant Management Standards:	No

Major programs are as follows:

<u>Name of Federal Program:</u>	<u>CFDA Numbers:</u>
Project Rise	84.374A
Adult Education	84.002A
<u>Name of State Program:</u>	<u>CFDA Numbers:</u>
Early Childhood Intervention	N/A
Adult Education	N/A

Dollar threshold used to distinguish between Type A and Type B federal programs:	\$1,064,965
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Dollar threshold used to distinguish between Type A and Type B state programs:	\$300,000
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Low risk auditee: Uniform Guidance	Yes
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Texas Uniform Grant Management Standards	No
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**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

None reported.

REGION ONE EDUCATION SERVICE CENTER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2021

Reference No.

Finding/Noncompliance

None reported.

REGION ONE EDUCATION SERVICE CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)	
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through Subrecipients	Total Federal Expenditures & Indirect Cost
<b><u>FEDERAL AWARDS</u></b>				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Texas Department of Agriculture:</i>				
ESC Child Nutrition Program	10.560	108-950	\$ -	\$ 727,524
Total CFDA 10.560			-	727,524
Total Passed Through Texas Department of Agriculture			-	727,524
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			-	727,524
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Direct Programs:</i>				
Title IV, Operation College Bound	84.066A	P066A160111	-	286,135
Title IV, College Ready, GEAR UP Program	84.334A	P334A180024	2,175,141	3,812,811
Title IV, College Now, GEAR UP Program	84.334A	P334A180025	3,360,896	6,205,369
Total CFDA 84.334A			5,536,037	10,018,180
Title II, Project RISE	84.374A	U374A160002	8,673,147	11,472,714
Title IV, Project HEAL2	84.411C	U411C160117	5,301	37,141
Total Direct Programs			14,214,485	21,814,170
<i>Passed Through State Department of Education:</i>				
School Improvement Facilitation	84.010A	206101547110001	-	300,271
ESC ESSA Basic Services Initiative	84.010A	216101197110001	-	45,717
Title I, ESC Comprehensive School Support C2	84.010A	216101537110001	-	530,828
Title I, ESC TX Instructional Leader Expansion	84.010A	216101457110001	-	34,132
Title I, ESC TX Instructional Leadership	84.010A	206101507110001	-	142,746
Total CFDA 84.010A			-	1,053,694
Title I, Part C - Grants to ESCs	84.011A	216150027110001	-	1,310,204
Title I, Part C - MEP Online Course and ID&R Hotline	84.011A	216150377110001	-	219,269
Title I, Part C - Migrant	84.011A	20615001108950	-	84,154
Title I, Part C - Migrant	84.011A	21615001108950	-	36,055
Total CFDA 84.011A			-	1,649,682
Title III, Part A - Basic Services	84.365A	216710027110001	-	96,002
Title III Enhancing Program Implementation	84.365A	216710157110001	-	36,134
Title III, Part A - ELA	84.365A	20671001108950	1,024	45,262
Title III, Part A - ELA	84.365A	21671001108950	800	18,899
Total CFDA 84.365A			1,824	196,297

REGION ONE EDUCATION SERVICE CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)	
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through Subrecipients	
			Total Federal Expenditures & Indirect Cost	
*IDEA - Part B - Pre-School	84.173A	216610227110001	-	337,915
*IDEA - Part B - Leadership	84.027A	206600567110001	-	96,957
*IDEA - Part B - Leadership	84.027A	216600567110001	-	1,668,557
*IDEA - Part B - Special FIEP, Charter Support	84.027A	216600577110001	-	77,243
*IDEA - Part B - Access General To Curriculum	84.027A	216600587110001	-	362,377
*IDEA - Part B - Positive Behavior Supports & Interventions	84.027A	216600597110001	-	140,566
*IDEA - Part B - FIEP and Charter Support	84.027A	216600547110001	-	8,654
*IDEA - Part B - Liaison Grant	84.027A	216600657110001	-	137,524
*IDEA - Part B - Multiple Exceptionalities and Multiple Needs	84.027A	206600797110001	-	70,251
*IDEA - Part B - Multiple Exceptionalities and Multiple Needs	84.027A	216600797110001	-	552,927
*IDEA - Part B - Sensory Impairments	84.027A	216600227110001	-	74,916
Total CFDA 84.027A			-	3,189,972
ESC CTE - Leadership	84.048A	204200097110001	-	9,452
ESC CTE - Leadership	84.048A	214200097110001	-	10,799
Perkins Reserve	84.048A	204200287110072	99,009	163,759
Perkins Reserve	84.048A	214200287110001	76,892	697,305
Texas Ecosystem Design Team	84.048A	214200637110001	-	22,913
ESC CTE Admin and PBM	84.048A	204200107110001	-	5,685
ESC CTE Admin and PBM	84.048A	214200107110001	-	41,418
Total CFDA 84.048A			175,901	951,331
ESC Capacity Building Grant	84.196A	204600087110001	-	30,547
ESC Title IV Mental and Behavioral Health Training and Support	84.424A	196801107110001	-	688
ESC Title IV Mental and Behavioral Health Training and Support	84.424A	216801107110001	-	13,259
ESC ESSA Basic Services Initiative	84.424A	216801057110001	-	140,818
Total CFDA 84.424A			-	154,765
Title II, ESC Technical Assistance and Monitoring	84.367A	206945747110001	-	25,726
ESC Equity Plan Support	84.367A	216945647110001	-	8,303
ESC TX Instructional Leadership	84.367A	206945737110001	-	101,816
ESC TX Instructional Leadership	84.367A	20694501108950	-	3,531
Total CFDA 84.367A			-	139,376
ESC Instructional Continuity TA	84.377A	176107417110001	-	79,150
2019-2021 HB 3 Reading Academies Authorized Provider	84.377A	166107387110001	-	332,570
Total CFDA 84.377A			-	411,720
Regional Early Childhood Education Support Specialists	93.575	193928027110001	-	191,855
Regional Early Childhood Education Support Specialists	93.575	193928037110002	-	100,216
Total CFDA 93.575			-	292,071
ESC ESSA Basic Services Initiative	84.999	216000117110001	-	52,401

REGION ONE EDUCATION SERVICE CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	Passed Through Subrecipients	(4) Total Federal Expenditures & Indirect Cost
Lone Star STEM ESC Trainer of Trainers (ToT)	84.411B	203929037110001	-	49,475
COVID-19 2020-2022 ESC ESSER Technical Assistance Grant	84.425D	20521011108950	-	88,620
Total Passed Through State Department of Education			177,725	8,597,866
<i>Passed Through Texas Health and Human Services Commission:</i>				
*Special Education-Grants to States	84.027	HHS000191200015	-	99,849
Special Education-Grants for Infants & Families with Disabilities	84.181	HHS000191200015	-	989,046
Total Passed Through Texas Health and Human Services Commission			-	1,088,895
<i>Passed Through Texas Workforce Commission:</i>				
Adult Education and Literacy Service Provider Grant	84.002A	2318ALAB00	-	19,563
Adult Education and Literacy Service Provider Grant	84.002A	2318ALAC00	-	2,342,426
Adult Education and Literacy Service Provider Grant	84.002A	2318ALAD00	-	250,131
Total CFDA 84.002A			-	2,612,120
Total Passed Through Texas Workforce Commission			-	2,612,120
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			14,392,210	34,113,051
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>				
<i>Passed Through Texas Workforce Commission:</i>				
Adult Education and Literacy Service Provider Grant	93.558	2318ALAB00	-	1,582
Adult Education and Literacy Service Provider Grant	93.558	2318ALAC00	-	270,647
Adult Education and Literacy Service Provider Grant	93.558	2318ALAD00	-	2,797
Total CFDA 93.558			-	275,026
Total Passed Through Texas Workforce Commission			-	275,026
<i>Passed Through Texas Health and Human Services Commission:</i>				
Special Education-Temporary Assistance for Needy Families	93.558	HHS000191200015	-	189,705
Medicaid Administrative Claiming Program	93.778	529-11-0040-00016	-	198,850
Total Passed Through Texas Health and Human Services Commission			-	663,581
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			-	663,581
<b>Total Expenditures of Federal Awards</b>			14,392,210	35,504,156

REGION ONE EDUCATION SERVICE CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)	
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through Subrecipients	Total Federal Expenditures & Indirect Cost
<b>STATE AWARDS</b>				
<i>Region VI Education Service Center:</i>				
Texas Lesson Study grant	N/A	200291547110003	-	14,406
Texas Lesson Study grant	N/A	200292107110003	-	16,481
2020-2021 Texas Lesson Study grant	N/A	210291547110003	-	66,889
2020-2021 Texas Lesson Study grant	N/A	210292107110003	-	59,918
Total Region VI Education Service Center			-	157,694
<i>Texas Health and Human Services Commission:</i>				
Respite GR	N/A	HHS000640200034	-	12,803
Early Childhood Intervention	N/A	HHS000640200034	-	1,341,482
Total Texas Health and Human Services Commission			-	1,354,285
<i>Texas Workforce Commission:</i>				
Adult Basic Education	N/A	2318ALAB00	-	23,219
Adult Basic Education	N/A	2318ALAC00	-	452,720
Adult Basic Education	N/A	2318ALAD00	-	407
Total Texas Workforce Commission			-	476,346
<b>Total Expenditures of State Awards</b>			-	1,988,325
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>			<b>\$ 14,392,210</b>	<b>\$ 37,492,481</b>

\*Special Education Cluster total \$3,627,736

REGION ONE EDUCATION SERVICE CENTER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021

**1. GENERAL**

The Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all applicable federal and state award programs of the Region One Education Service Center (the Center). The Center’s reporting entity is defined in Note I of the financial statements. Federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the Schedule.

In accordance with TEA instructions, federal funds for the School Health and Related Services (SHARS) have been excluded from the Schedule.

All federal programs are accounted for and reported in Special Revenue Funds.

**2. BASIS OF ACCOUNTING AND PRESENTATION**

The Schedule is presented using the modified accrual basis of accounting. The Center’s significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements.

The Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS). Therefore, some of the amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**3. INDIRECT COSTS**

The Center has received a negotiated indirect cost rate from TEA and may not elect to use a de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

**4. The following is the reconciliation of federal and state revenues and the Schedule for the year ended August 31, 2021.**

Federal and state revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance- Government Funds (Exhibit C-3)	\$ 44,327,330
Less:	
Other federal and state revenues	<u>6,834,849</u>
Federal expenditures per the Schedule of Expenditures of Federal and State Awards (Exhibit K-1)	<u><u>\$ 37,492,481</u></u>