

**REGION ONE
EDUCATION SERVICE CENTER**

ANNUAL FINANCIAL AND COMPLIANCE REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2020**

REGION ONE EDUCATION SERVICE CENTER
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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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) XX approved _____ disapproved for the year ended August 31, 2020 at a meeting of the Board of Directors of such service center on the 19th day of January 2021.

M. Gomez Jr.
Dr. Manuel Gomez, Jr. (Jan 25, 2021 12:54 CST)
Signature of Board Secretary

Raul R. Ceapa
Raul R. Ceapa (Jan 25, 2021 12:16 CST)
Signature of Board President



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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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, pension and OPEB 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 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 is also not a required part of the basic financial statements.

The combining statements, required TEA schedules and the schedule of expenditures of federal 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 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 19, 2021, 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 19, 2021



Region One Education Service Center

1900 W. Schunior, Edinburg, TX 78541 ♦ Ph (956) 984-6000 ♦ Fax (956) 984-7655

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Region One Education Service Center’s annual financial report presents our discussion and analysis of the Center’s financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the Center’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

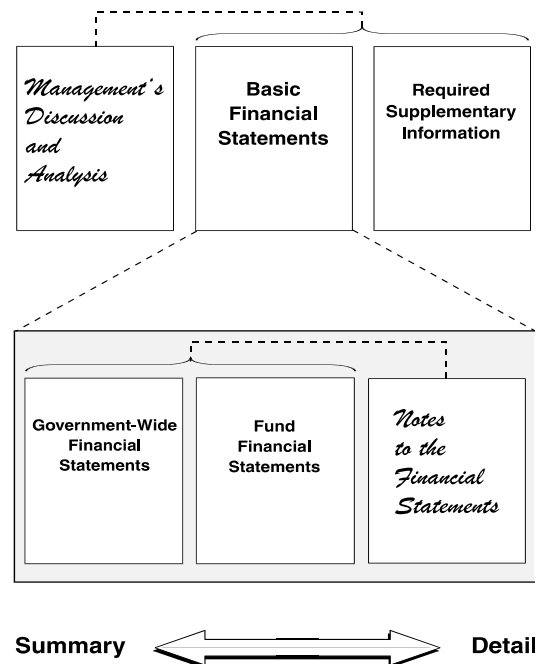
- The Center’s total combined assets were \$48,238,862 at August 31, 2020, which reflects an increase of 8.95% between fiscal years 8/31/19 and 8/31/20.
- During the year, the Center’s expenses were \$6,675,532 more than the \$65,009,934 generated in local charges and other revenues for governmental activities. This is less than last year when revenues exceeded expenses by \$2,264,938.
- The general fund reported an excess of revenues over expenditures this year of \$1,885,836. There were no transfers from the general fund to the construction and/or proprietary funds. The net increase to the general fund was \$1,885,836 with an ending balance of \$19,385,257.

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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 are 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

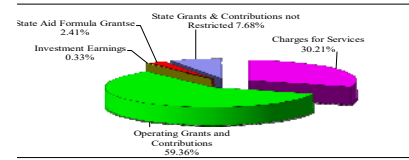
Net position. The Center’s combined net position decreased by 27.90%, to approximately \$6,108,210 between the fiscal years 2019 and 2020 (See Table A-1).

	Governmental Activities		Total
	2019	2020	% Change
Current Assets:			
Cash and cash equivalents	\$ 19,525,119	\$ 5,218,393	-73.27%
Current investments	2,873,131	13,021,554	353.22%
Due from other governments	7,980,259	10,342,589	29.60%
Other receivables	814,254	92,153	-88.68%
Prepayments	13,340	68,099	410.49%
Inventories-supplies	76,425	56,449	-26.14%
Other current assets	5,674	404	-92.88%
Total Current Assets	31,288,202	28,799,641	-7.95%
Noncurrent Assets:			
Land	212,653	212,653	0.00%
Building	21,144,335	21,144,335	0.00%
Furniture and equipment	2,419,106	2,419,106	0.00%
Library books and media	1,395,644	-	-100.00%
Construction in Progress	1,759,732	10,522,866	497.98%
Less: Accumulated depreciation	(13,942,066)	(14,859,739)	6.58%
Total Noncurrent Assets	12,989,404	19,439,221	49.65%
Total Assets	44,277,606	48,238,862	8.95%
Deferred Outflows of Resources			
Deferred Outflow Related to TRS Pension	8,471,703	7,172,416	-15.34%
Deferred Outflow Related to TRS OPEB	2,526,343	3,101,493	22.77%
Total Deferred Outflows of Resources	10,998,046	10,273,909	-6.58%
Liabilities:			
Accounts payable and accrued liabilities	1,309,448	3,331,071	154.39%
Payroll deductions & withholdings	136,896	270,149	97.34%
Accrued Wages Payable	252,179	130,905	-48.09%
Due to other governments	2,217,483	4,116,519	85.64%
Unearned Revenue	282,599	481,973	70.55%
Net Pension Liability (District's Share)	15,042,988	14,080,185	-6.40%
Net OPEB Liability (District's Share)	20,314,223	19,280,688	-5.09%
Total Liabilities	39,555,816	41,691,490	5.40%
Deferred Inflows of Resources			
Deferred Inflow Related to TRS Pension	824,360	2,371,959	187.73%
Deferred Inflow Related to TRS OPEB	6,423,846	8,341,112	29.85%
Total Deferred Inflows of Resources	7,248,206	10,713,071	47.80%
Net Position:			
Invested in capital assets, net of related debt	12,989,404	19,439,220	49.65%
Restricted for federal and state program	650,107	851,873	0.00%
Restricted for other purposes	1,321,134	1,321,134	0.00%
Unrestricted net position	(6,489,011)	(15,504,017)	138.93%
Total Net Position	\$ 8,471,634	\$ 6,108,210	-27.90%

(1) Unrestricted net position showed a \$15.5 million deficit at the end of this year as a result of the implementation of GASB Statement No 75. This deficit represents an increase of 138.93% from the prior year.

Changes in net position. The Center's total revenues increased by 4.55% to \$66,688,647. 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 increased 8.67% to \$67,656,427. The instruction and instructional related services and student services functions represent 51% of these costs.



Governmental Activities

- Investment earnings decreased by approximately 60.60% due to a decrease in the interest rate and decrease in cash balances due to construction financing. Charges for services decreased by 10.60% from \$22,536,014 to \$20,147,391 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 increased by 78.90% from \$2,863,116 to \$5,122,204. 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 \$3,655,744 more federal and state grants as compared to last year. The increase in operating grants and contributions of 10.17% is due to increase in grant allocations, primarily in the Project Rise, GEAR Up Programs, and Early Childhood Intervention (ECI). Overall, funds received for center operations increased by 4.55%.

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

	Governmental Activities		Total
	2019	2020	% Change
Program Revenues:			
Charges for services	\$ 22,536,014	\$ 20,147,391	-10.60%
Operating grants and contributions	35,933,616	39,589,360	10.17%
Grants and contributions not restricted	2,863,116	5,122,204	78.90%
Investment earnings	563,223	221,910	-60.60%
State aid - formula grants	1,889,499	1,607,782	-14.91%
Miscellaneous local and intermediate revenue	3,000	-	-100.00%
Total Revenues	63,788,468	66,688,647	4.55%
Program Expenses:			
Instruction	17,433,484	17,634,866	1.16%
Instructional resources media services	1,380,391	1,339,955	-2.93%
Curriculum dev. and instructional staff dev.	15,291,419	15,653,103	2.37%
Instructional leadership	3,294,006	3,973,953	20.64%
School leadership	941,521	949,054	0.80%
Guidance, counseling, and evaluation services	8,122	95,381	1074.35%
Student (pupil)	166	166	0.00%
General administration	2,436,052	2,737,682	12.38%
Plant and maintenance	2,097,635	1,761,916	-16.00%
Data processing services	3,996,094	4,483,098	12.19%
Community services	491,261	601,699	22.48%
School district administrative support	4,752,710	5,058,050	6.42%
Payments to fiscal agent/member dist.-SSA	10,133,905	13,367,504	31.91%
Total Expenditures	62,256,766	67,656,427	8.67%
Increase (Decrease) in Net Position	\$ 1,531,702	\$ (967,780)	-163.18%

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 increased by 8.67% this year ending at \$67,656,427. Some of the cost was paid by those who directly benefited from the programs \$20,147,391 or by grants and contributions totaling \$39,589,360.

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

	Total Cost of Services		Total % Change
	<u>2019</u>	<u>2020</u>	
Instruction	\$17,433,484	\$17,634,866	1.16%
Instructional Resources and Media Services	1,380,391	1,339,955	-2.93%
Curriculum Dev. And Instructional Staff Dev.	15,291,419	15,653,103	2.37%
Instructional Leadership	3,294,006	3,973,953	20.64%
General Administration	2,436,052	2,737,682	12.38%
Plant Maintenance & Operations	2,097,635	1,761,916	-16.00%
Data Processing Services	3,996,094	4,483,098	12.19%
School District Administration Support (ESC only)	4,752,710	5,058,050	6.42%
Payments Related to Shared Services Arrangements	10,133,905	13,367,504	31.91%

FINANCIAL ANALYSIS OF THE CENTER’S FUNDS

Revenues from governmental fund types totaled \$65,009,934, an increase of 3.63% over the preceding year. The increase in local revenues is primarily a result of an increase in services by Curriculum, Instruction, and Assessment. The increase in operating grants and contributions of 10.17% is due to an increase in grant allocations, primarily in the Project Rise and GEAR Up Programs. Expenditures from governmental fund types totaled \$71,685,466 an increase of 18.56% over the preceding year. The increase in expenditures across all functions of \$11 million is primarily due to an increase construction cost, grant expenditures (Project RISE and GEAR UP).

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 \$3,234,859 below final budget amounts. Some local programs expended less than appropriations. On the other hand, resources available were \$2,227,918 under the final budgeted amount.

CAPITAL ASSETS

At the end of 2020, the Center had invested \$34,298,960 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase of \$7,367,490 or 27.36% over last year. The center disposed of equipment through auction and other allowable methods.

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

	Governmental Activities		Total
	<u>2019</u>	<u>2020</u>	<u>% Change</u>
Land	\$ 212,653	\$ 212,653	0.00%
Buildings and improvements	21,144,335	21,144,335	0.00%
Equipment	2,419,106	2,419,106	0.00%
Library books & media	1,395,644	-	-100.00%
Construction in Progress	<u>1,759,732</u>	<u>10,522,866</u>	497.98%
Totals at historic cost	<u>26,931,470</u>	<u>34,298,960</u>	27.36%
Total accumulated depreciation	<u>(13,942,066)</u>	<u>(14,859,739)</u>	6.58%
Net capital assets	<u>\$ 12,989,404</u>	<u>\$ 19,439,221</u>	49.65%

The Center's fiscal year 2019-2020 capital budget projects has earmarked for construction an additional \$8,763,134 from the Internal Service Funds; principally for the renovations of the Laredo satellite office and for 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 2020-2021.

These indicators were taken into account when adopting the general fund budget for 2020. Amounts available for appropriation in the general fund budget are \$26,572,662 a decrease of 2.61% over the final 2020 budget of \$27,284,855. The original budget for 2020-21 represents very conservative figures.

Expenditures are budgeted to decrease by 3.17% to \$25,569,370. The decrease is also due to budgeting very conservative amounts. If these estimates are realized, the Center's budgetary general fund balance is not expected to change appreciably by the close of 2021.

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, 2020

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 5,218,393
1120 Current Investments	13,021,554
1240 Due from Other Governments	10,342,589
1290 Other Receivables, Net	92,153
1300 Inventories	56,449
1410 Prepayments	68,099
1490 Other Current Assets	404
Capital Assets:	
1510 Land	212,653
1520 Buildings, Net	8,478,938
1530 Furniture and Equipment, Net	224,764
1580 Construction in Progress	10,522,866
1000 Total Assets	48,238,862
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	7,172,416
1706 Deferred Outflow Related to TRS OPEB	3,101,493
1700 Total Deferred Outflows of Resources	10,273,909
LIABILITIES	
2110 Accounts Payable	3,331,071
2150 Payroll Deductions and Withholdings	270,149
2160 Accrued Wages Payable	130,905
2180 Due to Other Governments	4,116,519
2300 Unearned Revenue	481,973
Noncurrent Liabilities:	
2540 Net Pension Liability (Center's Share)	14,080,185
2545 Net OPEB Liability (Center's Share)	19,280,688
2000 Total Liabilities	41,691,490
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	2,371,959
2606 Deferred Inflow Related to TRS OPEB	8,341,112
2600 Total Deferred Inflows of Resources	10,713,071
NET POSITION	
3200 Net Investment in Capital Assets	19,439,220
3820 Restricted for Federal and State Programs	851,873
3890 Restricted for Other Purposes	1,321,134
3900 Unrestricted	(15,504,017)
3000 Total Net Position	\$ 6,108,210

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, 2020

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 17,634,866	\$ 4,999,184	\$ 9,849,164	\$ (2,786,518)
12 Instructional Resources and Media Services	1,339,955	915,576	-	(424,379)
13 Curriculum and Instructional Staff Development	15,653,103	5,624,330	8,874,065	(1,154,708)
21 Instructional Leadership	3,973,953	677,857	2,837,482	(458,614)
23 School Leadership	949,054	-	848,802	(100,252)
31 Guidance, Counseling, and Evaluation Services	95,381	-	95,381	-
34 Student (Pupil) Transportation	166	-	-	(166)
41 General Administration	2,737,682	2,454,877	-	(282,805)
51 Facilities Maintenance and Operations	1,761,916	659,498	855,371	(247,047)
53 Data Processing Services	4,483,098	2,600,329	592,640	(1,290,129)
61 Community Services	601,699	-	522,459	(79,240)
62 School District Administrative Support (ESC)	5,058,050	2,215,740	1,746,492	(1,095,818)
93 Payments Related to Shared Services Arrangements	13,367,504	-	13,367,504	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 67,656,427	\$ 20,147,391	\$ 39,589,360	(7,919,676)

Data Control Codes	General Revenues: Taxes:	
SF	State Aid - Formula Grants	1,607,782
GC	Grants and Contributions not Restricted	5,122,204
IE	Investment Earnings	221,910
TR	Total General Revenues	6,951,896
CN	Change in Net Position	(967,780)
NB	Net Position - Beginning	8,471,634
PA	Prior Period Adjustment	(1,395,644)
NE	Net Position - Ending	\$ 6,108,210

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

REGION ONE EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	274 GEAR UP	287 Project RISE
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,964,199	\$ -	\$ -
1120 Investments - Current	6,719,932	-	-
1240 Due from Other Governments	1,294,798	3,224,369	3,156,101
1260 Due from Other Funds	9,965,014	2,769	-
1290 Other Receivables	91,903	-	-
1410 Prepayments	68,099	-	-
1000 Total Assets	<u>\$ 21,103,945</u>	<u>\$ 3,227,138</u>	<u>\$ 3,156,101</u>
LIABILITIES			
2110 Accounts Payable	\$ 59,404	\$ 73,851	\$ 38,947
2150 Payroll Deductions and Withholdings Payable	270,149	-	-
2160 Accrued Wages Payable	59,190	-	-
2170 Due to Other Funds	742,980	1,757,348	829,946
2180 Due to Other Governments	104,992	1,395,939	2,287,208
2300 Unearned Revenue	481,973	-	-
2000 Total Liabilities	<u>1,718,688</u>	<u>3,227,138</u>	<u>3,156,101</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	1,321,134	-	-
Committed Fund Balance:			
3510 Construction	1,000,000	-	-
3545 Other Committed Fund Balance	6,641,800	-	-
3600 Unassigned Fund Balance	10,422,323	-	-
3000 Total Fund Balances	<u>19,385,257</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 21,103,945</u>	<u>\$ 3,227,138</u>	<u>\$ 3,156,101</u>

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

487 Early Childhood Intervention	698 Capital Projects	Other Funds	Total Governmental Funds
\$ 97,478	\$ -	\$ 975,534	\$ 4,037,211
-	5,268,602	-	11,988,534
494,104	-	2,084,098	10,253,470
63	-	139,453	10,107,299
-	-	-	91,903
-	-	-	68,099
<u>\$ 591,645</u>	<u>\$ 5,268,602</u>	<u>\$ 3,199,085</u>	<u>\$ 36,546,516</u>
\$ 59,499	\$ 2,699,414	\$ 248,778	\$ 3,179,893
-	-	-	270,149
-	-	71,715	130,905
526,646	4,410,064	1,749,224	10,016,208
5,500	40,565	277,495	4,111,699
-	-	-	481,973
<u>591,645</u>	<u>7,150,043</u>	<u>2,347,212</u>	<u>18,190,827</u>
-	-	851,873	851,873
-	-	-	1,321,134
-	(1,881,441)	-	(881,441)
-	-	-	6,641,800
-	-	-	10,422,323
<u>-</u>	<u>(1,881,441)</u>	<u>851,873</u>	<u>18,355,689</u>
<u>\$ 591,645</u>	<u>\$ 5,268,602</u>	<u>\$ 3,199,085</u>	<u>\$ 36,546,516</u>

REGION ONE EDUCATION SERVICE CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	18,355,689
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 net position.		2,300,503
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 \$26,027,363 and the accumulated depreciation was (\$13,356,976). 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 net position.		12,670,387
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 2020 capital outlays and debt principal payments is to increase net position.		7,367,490
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 outflow of resource in the amount of \$7,172,416, a deferred inflow of resource in the amount of \$2,371,959, and a net pension liability in the amount of \$14,080,185. This resulted in a (decrease) in net position.		(9,279,728)
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 outflow of resource in the amount of \$3,101,493, a deferred inflow of resource in the amount of \$8,341,112, and a net OPEB liability in the amount of \$19,280,688. This resulted in a (decrease) in net position.		(24,520,307)
6 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(785,824)
19 Net Position of Governmental Activities	\$	6,108,210

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, 2020

Data Control Codes	10 General Fund	274 GEAR UP	287 Project RISE
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 20,005,664	\$ -	\$ -
5800 State Program Revenues	3,177,032	-	-
5900 Federal Program Revenues	1,874,241	10,780,332	9,816,780
5020 Total Revenues	<u>25,056,937</u>	<u>10,780,332</u>	<u>9,816,780</u>
EXPENDITURES:			
Current:			
0011 Instruction	6,328,145	1,307,024	-
0012 Instructional Resources and Media Services	1,283,954	-	-
0013 Curriculum and Instructional Staff Development	5,493,859	2,354,158	1,987,529
0021 Instructional Leadership	689,126	614,677	663,813
0023 School Leadership	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	91,646	-
0041 General Administration	2,490,682	-	-
0051 Facilities Maintenance and Operations	739,653	135,107	79,788
0053 Data Processing Services	3,323,060	43,193	31,035
0061 Community Services	18,798	222,690	-
0062 School District Administrative Support (ESC Only)	2,803,824	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	6,011,837	7,054,615
6030 Total Expenditures	<u>23,171,101</u>	<u>10,780,332</u>	<u>9,816,780</u>
1200 Net Change in Fund Balances	1,885,836	-	-
0100 Fund Balance - September 1 (Beginning)	<u>17,499,421</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 19,385,257</u>	<u>\$ -</u>	<u>\$ -</u>

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

487 Early Childhood Intervention	698 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 363,637	\$ 20,369,301
1,030,774	-	993,471	5,201,277
6,115,247	-	10,852,756	39,439,356
7,146,021	-	12,209,864	65,009,934
5,830,545	-	2,587,920	16,053,634
-	-	-	1,283,954
44,187	-	4,780,674	14,660,407
934,365	-	624,629	3,526,610
-	-	848,802	848,802
-	-	3,735	95,381
-	-	-	2,490,682
172,994	-	462,742	1,590,284
163,930	-	352,283	3,913,501
-	-	299,769	541,257
-	-	1,746,492	4,550,316
-	8,763,134	-	8,763,134
-	-	301,052	13,367,504
7,146,021	8,763,134	12,008,098	71,685,466
-	(8,763,134)	201,766	(6,675,532)
-	6,881,693	650,107	25,031,221
\$ -	\$ (1,881,441)	\$ 851,873	\$ 18,355,689

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, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(6,675,532)
<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 decrease net position.</p>		
		(76,894)
<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 2020 capital outlays and debt principal payments is to increase net position.</p>		
		8,763,134
<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 decrease net position.</p>		
		(785,824)
<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 \$1,164,197. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in the change in net position totaling \$941,542. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$2,106,738. The net result is a (decrease) in the change in net position.</p>		
		(1,884,083)
<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 \$314,010. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net OPEB liability. This caused a decrease in the change in net position totaling \$281,740. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$340,851. The net result is a (decrease) in the change in net position.</p>		
		(308,581)
Change in Net Position of Governmental Activities	\$	(967,780)

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, 2020

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,181,182
Investments - Current	1,033,020
Due from Other Governments	89,119
Due from Other Funds	407,981
Other Receivables	250
Inventories	56,449
Other Current Assets	404
Total Current Assets	<u>2,768,405</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	85,813
Depreciation on Buildings	(45,587)
Furniture and Equipment	818,294
Depreciation on Furniture and Equipment	<u>(671,352)</u>
Total Noncurrent Assets	<u>187,168</u>
Total Assets	<u>2,955,573</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	151,178
Due to Other Funds	499,072
Due to Other Governments	<u>4,820</u>
Total Liabilities	<u>655,070</u>
NET POSITION	
Unrestricted Net Position	<u>2,300,503</u>
Total Net Position	<u><u>\$ 2,300,503</u></u>

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, 2020

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 3,483,685
Total Operating Revenues	3,483,685
OPERATING EXPENSES:	
Payroll Costs	1,353,422
Professional and Contracted Services	1,744,347
Supplies and Materials	195,520
Other Operating Costs	135,439
Depreciation Expense	131,851
Total Operating Expenses	3,560,579
Operating Income (Loss)	(76,894)
Total Net Position - September 1 (Beginning)	2,377,397
Total Net Position - August 31 (Ending)	\$ 2,300,503

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, 2020

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 3,483,685
Cash Received from Assessments - Other Funds	69,017
Cash Received from Suppliers	2,519
Cash Payments for Assessments - Other Funds	(15,221)
Cash Payments to Employees for Services	(1,353,423)
Cash Payments for Contracted Services	(1,744,347)
Cash Payments for Suppliers	(98,838)
Cash Payments for Other Operating Expenses	(135,438)
Net Cash Provided by Operating Activities	<u>207,954</u>
Net Increase in Cash and Cash Equivalents	207,954
Cash and Cash Equivalents at Beginning of Year	<u>2,006,248</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,214,202</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (76,894)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	131,850
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Prepaid Items	18,610
Decrease (increase) in Receivables	(85,972)
Decrease (increase) in Inventories	19,977
Decrease (increase) in Due From Other Funds	(387,945)
Decrease (increase) in Other Receivables	92,627
Increase (decrease) in Accounts Payable	79,226
Increase (decrease) in Due to Other Funds	416,257
Increase (decrease) in Due to Other Governments	218
Net Cash Provided by Operating Activities	<u>\$ 207,954</u>

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, 2020

	Private Purpose Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 114,084
Due from Other Governments	275
Total Assets	<u>\$ 114,359</u>
LIABILITIES	
Accounts Payable	\$ 6,000
Due to Student Groups	108,359
Total Liabilities	<u>\$ 114,359</u>

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, 2020

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 39,442
Total Additions	39,442
DEDUCTIONS:	
Professional and Contracted Services	36,000
Supplies and Materials	3,362
Other Deductions	80
Total Deductions	39,442
Change in Fiduciary Net Position	-
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	\$ -

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, 2020

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, 2020, 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, 2020

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, 2020

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. **Early Childhood Intervention** - is used to account for sources restricted to or designated for specific purposes as stipulated within the contract.
5. **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, 2020

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.

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:

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<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.

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 element, 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.

REGION ONE EDUCATION SERVICE CENTER
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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.

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 20th the Center prepares a budget for the next succeeding fiscal year beginning September 1st. 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.

REGION ONE EDUCATION SERVICE CENTER
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3. Prior to September 1st, 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 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

B. BUDGETARY DATA

At August 31, 2020, the Capital Projects Fund had a deficit fund balance of \$1,881,441.

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.

As of August 31, 2020, 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	\$ 5,218,393	-	\$ -	\$ -	\$ -	N/A
Investment Pools:						
TexPool	\$ 1,677,307	100.00%	\$ 1,677,307	\$ -	\$ -	AAA _m
Texas Class Investment	11,344,247	100.00%	11,344,247	-	-	AAA _m
Total Investment Pools:	<u>\$ 13,021,554</u>	<u>100.00%</u>	<u>\$ 13,021,554</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Cash and Cash Equivalents	<u>\$ 18,239,947</u>	<u>100.00%</u>	<u>\$ 13,021,554</u>			

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
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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:

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, 2020, 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%.

REGION ONE EDUCATION SERVICE CENTER
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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

As of August 31, 2020, 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	\$ 1,677,307	\$ 1,677,307	\$ -	\$ -	\$ -
Texas Class Investment	11,344,247	11,344,247	-	-	-
Total	<u>\$ 13,021,554</u>	<u>\$ 13,021,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020, 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.

<u>Fund</u>	<u>State</u> <u>Entitlements</u>	<u>Federal</u> <u>Grants</u>	<u>Other</u> <u>Governments</u>	<u>Total</u>
General	\$ 23,674	\$ -	\$ 1,271,124	\$ 1,294,798
Special Revenue Funds	1,502,656	6,442,217	1,013,799	8,958,672
Internal Service	-	-	89,119	89,119
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,526,330</u>	<u>\$ 6,442,217</u>	<u>\$ 2,374,042</u>	<u>\$ 10,342,589</u>

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at August 31, 2020, consisted of the following individual fund balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Fund	\$ 708,656
General Fund	Special Revenue Funds	4,729,454
General Fund	Capital Projects Fund	4,410,064
General Fund	Internal Service Fund	116,840
Special Revenue Funds	General Fund	9,650
Special Revenue Funds	Special Revenue Funds	132,635
Internal Service Fund	General Fund	25,830
Internal Service Fund	Internal Service Fund	382,151
Total		<u>\$ 10,515,280</u>

The entire balance of \$10,515,280 resulted from end of year reclassifications made between the General Fund and other funds.

D. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of August 31, 2020, 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 \$91,903 with no allowance at year end.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
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E. CAPITAL ASSET ACTIVITY

Capital asset activity for the Center for the year ended August 31, 2020, was as follows:

	<u>Balance</u>		<u>Changes During Year</u>		<u>Balance</u>	
	<u>9/1/2019</u>		<u>Additions</u>	<u>Adjustments</u>	<u>8/31/2020</u>	
Governmental Activities:						
Land	\$ 212,653		\$ -	\$ -	\$ 212,653	
Buildings & Improvements	21,144,335		-	-	21,144,335	
Furniture & Equipment	2,419,106		-	-	2,419,106	
Construction in Progress	1,759,732		8,763,134	-	10,522,866	
Library Books & Media	1,395,644		-	(1,395,644)	-	
Totals at Historic Cost	<u>26,931,470</u>		<u>8,763,134</u>	<u>(1,395,644)</u>	<u>34,298,960</u>	
Less Accumulated Depreciation:						
Buildings & Improvements	(11,965,060)		(700,337)	-	(12,665,397)	
Furniture & Equipment	(1,977,006)		(217,336)	-	(2,194,342)	
Total Accumulated Depreciation	<u>(13,942,066)</u>		<u>(917,673)</u>	<u>-</u>	<u>(14,859,739)</u>	
Governmental Activities						
Capital Assets, Net	<u>\$ 12,989,404</u>		<u>\$ 7,845,461</u>	<u>\$ (1,395,644)</u>	<u>\$ 19,439,221</u>	

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 25,945
12 Instructional Resources & Media Services	41,574
13 Curriculum & Instructional Staff Development	71,282
21 Instructional Leadership	14,358
34 Student (Pupil) Transportation	166
41 General Administration	37,331
51 Facilities Maintenance & Operations	311,979
53 Data Processing Services	194,415
61 Community Services	43,551
62 School District Administrative Support (ESC only)	45,222
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>131,850</u>
Totals	<u>\$ 917,673</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
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F. 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, 2020, are as follows:

Year ending <u>August 31,</u>	
2021	\$ 170,915
2022	170,915
Total Minimum Rentals	<u>\$ 341,830</u>

G. LITIGATION

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

H. 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.

I. 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.

J. 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. The pension’s Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. SB12 in the 86th Legislature set higher contribution rates for FY 2020 and FY 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. This "surcharge" was previously only charged to employers not participating in social security. Contribution Rates can be found in the TRS 2019 CAFR, Note 11, on page 76.

Contribution Rates		
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Current fiscal year employer contributions		\$ 1,164,197
Current fiscal year member contributions		\$ 1,985,575
2019 measurement year NECE On-Behalf Contributions		\$ 1,052,629

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).

REGION ONE EDUCATION SERVICE CENTER
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As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (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.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- Employers must contribute 1.5% of the member's salary ("Public Education Employer Surcharge").

Actuarial Assumptions.

Roll Forward - A change was made in the measurement date of the total pension liability for the 2019 measurement year. The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019.

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, 2018 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.

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2019	2.63% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.03%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post-Employment Benefit Changes	None

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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, 2018. For a full description of these assumptions please see the TRS actuarial valuation report date November 9, 2018.

Discount Rate. The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. 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 legislative session. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members.

Asset Class	Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Returns***
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	0.00%	0.00%
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Real Return			
Global Inflation Linked Bonds*****	3.00%	0.00%	0.00%
Real Assets	14.00%	15.00%	8.50%
Energy and Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5 *****
Asset Allocation Leverage Cash	1%	2.0%	2.30%
Asset Allocation Leverage	0%	-6.0%	-0.79%
Expected Return			<u>7.23%</u>

* FY 2019 Target Allocations are based on the Strategic Asset Allocation dated 10/01/2018

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

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

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

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

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 2019 TRS CAFR, Note 11, page 77.

	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:	\$ 21,643,289	\$ 14,080,185	\$ 7,952,610

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31 2020, the Center reported a liability of \$14,080,185 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	\$ 14,080,185
State's proportionate share that is associated with the Center	<u>15,634,106</u>
Total	<u>\$ 29,714,291</u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer’s proportion of the collective net pension liability was 0.0270860673%, which was a decrease of 0.0002437380% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation. Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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

For the year ended August 31, 2020, the Center recognized pension expense of \$5,504,178 and revenue of \$2,455,898 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2020, 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 economic experiences	\$ 59,149	\$ 488,886
Changes in actuarial assumptions	4,368,365	1,805,215
Differences between projected and actual investment earnings	141,381	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,439,324	77,858
Contributions paid to TRS subsequent to the measurement date	<u>1,164,197</u>	<u>-</u>
Total as fiscal year-end	<u>\$ 7,172,416</u>	<u>\$ 2,371,959</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

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</u> <u>Amount</u>
2021	\$ 979,069
2022	808,417
2023	894,158
2024	826,068
2025	263,485
Thereafter	(134,937)

K. 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 that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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.

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.

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

TRS-Care Montly 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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

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 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% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% 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% of each active employee's pay for fiscal year 2019. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
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		\$ 314,010
Current fiscal year member contributions		\$ 167,613
2019 measurement year NECE on-behalf contributions		\$ 384,465

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. 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, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 Rolled Forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party 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%
Ad-hoc Post Employment Benefit Changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. The Discount Rate can be found in the 2019 TRS CAFR on page 70. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Proportionate share of the net OPEB liability:	\$ 23,277,979	\$ 19,280,688	\$ 16,153,606

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

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.

	<u>1% Decrease</u>	Current Healthcare Cost Trend Rate	<u>1% Increase</u>
Proportionate share of net OPEB liability	\$ 15,728,510	\$ 19,280,688	\$ 24,038,979

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, the Center reported a liability of \$19,280,688 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	\$ 19,280,688
State's proportionate share that is associated with the Center	<u>25,619,724</u>
Total	<u><u>\$ 44,900,412</u></u>

The Net OPEB Liability was measured as of August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0407701205% which was an increase of 0.0000854609% from its proportion measured as of August 31, 2018.

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.

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

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

For the year ended August 31, 2020, the Center recognized OPEB expense of \$1,297,822 and revenue of \$675,231 for support provided by the State.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

At August 31, 2020, 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 economic experiences	\$ 945,882	\$ 3,155,080
Changes in actuarial assumptions	1,070,892	5,186,032
Differences between projected and actual investment earnings	2,080	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	768,629	-
Contributions paid to TRS subsequent to the measurement date	314,010	-
Total as fiscal year-end	<u>\$ 3,101,493</u>	<u>\$ 8,341,112</u>

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>
2021	\$ (955,453)
2022	(955,453)
2023	(956,126)
2024	(956,512)
2025	(956,406)
Thereafter	(773,679)

L. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES

Plan Description. During the year ended August 31, 2020, employees of the Center were covered by a health insurance plan (the "Plan"). The Center paid premiums of \$617.58 per month per full-time employee, \$267 and \$225 per month for sub-hub employees and part-time instructors, 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, 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 \$139,467, \$94,789, and \$70,527 were recognized for the years ended August 31, 2020, 2019, and 2018, respectively, as equal revenues and expenditures.

M. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2020, the Center had no liability for accrued sick leave or vacation leave.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

N. 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.

O. 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
024901	Brooks	County ISD	\$ -	\$ 992	\$ -
031906	Los Fresnos	CISD	-	-	27,784
071803	Triumph Public HS - El Paso		-	1,246	-
108804	Triumph Public HS - Rio Grande Valley		600	2,030	-
108914	La Villa	ISD	-	2,354	-
124901	Jim Hogg	ISD	-	2,123	-
214902	San Isidro	ISD	-	715	-
240801	Triumph Public HS - Laredo		-	3,231	-
240904	Webb CONS	ISD	-	415	-
245901	Lasara	ISD	-	1,292	-
245904	San Perlita	ISD	-	692	140
			<u>\$ 600</u>	<u>\$ 15,090</u>	<u>\$ 27,924</u>

P. PRIOD PERIOD ADJUSTMENT

The Center’s prior period adjustment of \$1,395,644 is to adjust the beginning balances for capital assets due to an overstatement in prior years. The net effect of this adjustment is to decrease the Center’s net position by the same amount.

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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 23,448,818	\$ 22,821,771	\$ 20,005,664	\$ (2,816,107)
5800 State Program Revenues	2,681,158	2,681,158	3,177,032	495,874
5900 Federal Program Revenues	1,583,926	1,781,926	1,874,241	92,315
5020 Total Revenues	<u>27,713,902</u>	<u>27,284,855</u>	<u>25,056,937</u>	<u>(2,227,918)</u>
EXPENDITURES:				
Current:				
0011 Instruction	8,128,581	6,765,704	6,328,145	437,559
0012 Instructional Resources and Media Services	1,304,176	1,371,500	1,283,954	87,546
0013 Curriculum and Instructional Staff Development	5,946,885	6,427,630	5,493,859	933,771
0021 Instructional Leadership	863,568	790,134	689,126	101,008
0041 General Administration	2,868,210	2,877,188	2,490,682	386,506
0051 Facilities Maintenance and Operations	886,072	880,982	739,653	141,329
0053 Data Processing Services	3,231,608	3,614,514	3,323,060	291,454
0061 Community Services	20,600	20,900	18,798	2,102
0062 School District Administrative Support (ESC Only)	3,467,383	3,626,158	2,803,824	822,334
Debt Service:				
0071 Principal on Long-Term Debt	31,250	-	-	-
0072 Interest on Long-Term Debt	-	31,250	-	31,250
6030 Total Expenditures	<u>26,748,333</u>	<u>26,405,960</u>	<u>23,171,101</u>	<u>3,234,859</u>
1200 Net Change in Fund Balances	965,569	878,895	1,885,836	1,006,941
0100 Fund Balance - September 1 (Beginning)	<u>17,499,421</u>	<u>17,499,421</u>	<u>17,499,421</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 18,464,990</u>	<u>\$ 18,378,316</u>	<u>\$ 19,385,257</u>	<u>\$ 1,006,941</u>

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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Center's Proportion of the Net Pension Liability (Asset)	0.027086067%	0.027329805%	0.025970792%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 14,080,185	\$ 15,042,988	\$ 8,304,060
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Center	15,634,106	18,014,742	10,117,370
Total	<u>\$ 29,714,291</u>	<u>\$ 33,057,730</u>	<u>\$ 18,421,430</u>
Center's Covered Payroll	\$ 24,463,793	\$ 24,571,186	\$ 22,556,245
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	57.56%	61.22%	36.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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, 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.

<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.024595365%	0.0254251%	0.014951%
\$ 9,294,223	\$ 8,987,434	\$ 3,993,619
11,407,472	9,336,464	7,143,012
<u>\$ 20,701,695</u>	<u>\$ 18,323,898</u>	<u>\$ 11,136,631</u>
\$ 20,168,432	\$ 18,323,960	\$ 18,323,960
46.08%	49.05%	21.79%
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 2020

	2020	2019	2018
Contractually Required Contribution	\$ 1,164,197	\$ 941,542	\$ 938,478
Contribution in Relation to the Contractually Required Contribution	(1,164,197)	(941,542)	(938,478)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 25,786,574	\$ 24,463,793	\$ 24,571,186
Contributions as a Percentage of Covered Payroll	4.51%	3.85%	3.82%

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.

	2017	2016	2015
\$	851,178	\$ 781,457	\$ 752,848
	(851,178)	(781,457)	(752,848)
\$	-	\$ -	\$ -
\$	22,556,245	\$ 20,618,432	\$ 18,328,960
	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, 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	0.04077012%	0.04068466%	0.039181105%
Center's Proportionate Share of Net OPEB Liability (Asset)	\$ 19,280,688	\$ 20,314,223	\$ 17,038,393
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the Center	25,619,724	15,721,741	13,398,780
Total	<u>\$ 44,900,412</u>	<u>\$ 36,035,964</u>	<u>\$ 30,437,173</u>
Center's Covered Payroll	\$ 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	78.81%	81.48%	75.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 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 2020

	2020	2019	2018
Contractually Required Contribution	\$ 314,010	\$ 281,740	\$ 282,885
Contribution in Relation to the Contractually Required Contribution	(314,010)	(281,740)	(282,885)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 25,786,574	\$ 24,463,793	\$ 24,931,186
Contributions as a Percentage of Covered Payroll	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, 2020

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, 2020

Data Control Codes	203 Child Care Development Block Grant	206 ESC Capacity Building	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	35,906	3,173	207,663	184,201
1260	Due from Other Funds	-	-	10,044	-
1000	Total Assets	<u>\$ 35,906</u>	<u>\$ 3,173</u>	<u>\$ 217,707</u>	<u>\$ 184,201</u>
LIABILITIES					
2110	Accounts Payable	\$ 6,392	\$ -	\$ -	\$ 17,231
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	29,514	3,173	184,707	125,216
2180	Due to Other Governments	-	-	33,000	41,754
2000	Total Liabilities	<u>35,906</u>	<u>3,173</u>	<u>217,707</u>	<u>184,201</u>
FUND BALANCES					
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>\$ 35,906</u>	<u>\$ 3,173</u>	<u>\$ 217,707</u>	<u>\$ 184,201</u>

220 Adult 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	276 ESC Instructional Continuity TA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
390,461	30,041	622,314	83,756	134,948	21,719	33,073	76,304
97	-	646	-	-	-	92	-
<u>\$ 390,558</u>	<u>\$ 30,041</u>	<u>\$ 622,960</u>	<u>\$ 83,756</u>	<u>\$ 134,948</u>	<u>\$ 21,719</u>	<u>\$ 33,165</u>	<u>\$ 76,304</u>
\$ 43,834	\$ -	\$ 157,644	\$ 462	\$ 250	\$ -	\$ -	\$ -
71,715	-	-	-	-	-	-	-
238,457	30,041	376,235	83,180	92,840	13,842	33,165	76,304
36,552	-	89,081	114	41,858	7,877	-	-
<u>390,558</u>	<u>30,041</u>	<u>622,960</u>	<u>83,756</u>	<u>134,948</u>	<u>21,719</u>	<u>33,165</u>	<u>76,304</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 390,558</u>	<u>\$ 30,041</u>	<u>\$ 622,960</u>	<u>\$ 83,756</u>	<u>\$ 134,948</u>	<u>\$ 21,719</u>	<u>\$ 33,165</u>	<u>\$ 76,304</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

Data Control Codes	288 Project HEAL	289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant	342 SSA - ESEA Title II,A Training	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	41,411	35,686	5,787	7,332
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 41,411</u>	<u>\$ 35,686</u>	<u>\$ 5,787</u>	<u>\$ 7,332</u>
LIABILITIES					
2110	Accounts Payable	\$ 2,749	\$ 1,273	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	22,020	34,413	5,787	-
2180	Due to Other Governments	16,642	-	-	7,332
2000	Total Liabilities	<u>41,411</u>	<u>35,686</u>	<u>5,787</u>	<u>7,332</u>
FUND BALANCES					
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>\$ 41,411</u>	<u>\$ 35,686</u>	<u>\$ 5,787</u>	<u>\$ 7,332</u>

350 SSA - III, A English Lang Acquisition	385 Visually Impaired SSVI	405 ESC Gifted and Talented	414 Texas Reading Math Science Initiative	429 Other State Special Revenue Funds	482 Financial Literacy	483 T-STEAM Training	490 Chapter 41
\$ -	\$ -	\$ -	\$ 776	\$ -	\$ 57,323	\$ 161,933	\$ 292,590
10,637	42,553	1,704	-	69,951	-	-	-
-	-	-	-	5,984	-	-	-
<u>\$ 10,637</u>	<u>\$ 42,553</u>	<u>\$ 1,704</u>	<u>\$ 776</u>	<u>\$ 75,935</u>	<u>\$ 57,323</u>	<u>\$ 161,933</u>	<u>\$ 292,590</u>
\$ -	\$ 18,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
8,317	23,595	1,704	776	75,935	13	-	122,590
2,320	15	-	-	-	-	-	-
<u>10,637</u>	<u>42,553</u>	<u>1,704</u>	<u>776</u>	<u>75,935</u>	<u>13</u>	<u>-</u>	<u>122,590</u>
-	-	-	-	-	57,310	161,933	170,000
-	-	-	-	-	57,310	161,933	170,000
<u>\$ 10,637</u>	<u>\$ 42,553</u>	<u>\$ 1,704</u>	<u>\$ 776</u>	<u>\$ 75,935</u>	<u>\$ 57,323</u>	<u>\$ 161,933</u>	<u>\$ 292,590</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

Data Control Codes	491 STAAR One Item Bank	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ 462,912	\$ 975,534
1240 Due from Other Governments	44,428	1,050	2,084,098
1260 Due from Other Funds	122,590	-	139,453
1000 Total Assets	<u>\$ 167,018</u>	<u>\$ 463,962</u>	<u>\$ 3,199,085</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ 248,778
2160 Accrued Wages Payable	-	-	71,715
2170 Due to Other Funds	167,018	382	1,749,224
2180 Due to Other Governments	-	950	277,495
2000 Total Liabilities	<u>167,018</u>	<u>1,332</u>	<u>2,347,212</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	462,630	851,873
3000 Total Fund Balances	<u>-</u>	<u>462,630</u>	<u>851,873</u>
4000 Total Liabilities and Fund Balances	<u>\$ 167,018</u>	<u>\$ 463,962</u>	<u>\$ 3,199,085</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, 2020

Data Control Codes	203 Child Care Development Block Grant	206 ESC Capacity Building	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	202,875	2,881	850,245	1,365,841
5020 Total Revenues	202,875	2,881	850,245	1,365,841
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	1,575
0013 Curriculum and Instructional Staff Development	190,141	-	595,128	210,756
0021 Instructional Leadership	-	-	225	110,734
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0051 Facilities Maintenance and Operations	8,000	-	1,892	73,189
0053 Data Processing Services	2,414	-	-	80,585
0061 Community Services	-	-	-	87,625
0062 School District Administrative Support (ESC Only)	-	2,881	253,000	801,377
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	2,320	-	-	-
6030 Total Expenditures	202,875	2,881	850,245	1,365,841
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

220 Adult 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	276 ESC Instructional Continuity TA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
414,910	-	-	-	-	-	-	-
2,795,958	296,164	2,702,398	645,323	547,002	98,655	98,985	69,277
3,210,868	296,164	2,702,398	645,323	547,002	98,655	98,985	69,277
1,939,249	-	48,519	-	120,001	-	-	-
4,151	273,936	2,183,283	-	255,989	2,265	98,985	69,277
166,412	-	241,400	-	60,945	-	-	-
848,802	-	-	-	-	-	-	-
-	-	3,735	-	-	-	-	-
124,932	16,784	133,731	59,434	7,855	-	-	-
127,322	5,444	91,730	16,365	8,665	-	-	-
-	-	-	-	-	-	-	-
-	-	-	569,524	-	96,390	-	-
-	-	-	-	93,547	-	-	-
3,210,868	296,164	2,702,398	645,323	547,002	98,655	98,985	69,277
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	288 Project HEAL	289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant	342 SSA - ESEA Title II,A Training
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	503,684	275,846	70,349	7,932
5020 Total Revenues	503,684	275,846	70,349	7,932
EXPENDITURES:				
Current:				
0011 Instruction	174,325	-	39,201	-
0013 Curriculum and Instructional Staff Development	110,364	58,424	-	600
0021 Instructional Leadership	21,090	23,620	201	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0051 Facilities Maintenance and Operations	5,708	-	-	-
0053 Data Processing Services	-	2,744	-	-
0061 Community Services	-	174,252	25,652	-
0062 School District Administrative Support (ESC Only)	-	16,806	5,071	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	192,197	-	224	7,332
6030 Total Expenditures	503,684	275,846	70,349	7,932
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

350 SSA - III, A English Lang Acquisition	385 Visually Impaired SSVI	405 ESC Gifted and Talented	414 Texas Reading Math Science Initiative	429 Other State Special Revenue Funds	482 Financial Literacy	483 T-STEAM Training	490 Chapter 41
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,141	\$ -	\$ -
-	332,108	10,321	6,012	230,120	-	-	-
20,523	-	-	-	-	-	-	-
20,523	332,108	10,321	6,012	230,120	31,141	-	-
-	133,687	-	-	-	5,477	-	-
15,091	178,552	10,321	4,569	208,126	6,131	-	87,815
-	-	-	-	-	2	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	13,745	-	-	5,559	-	-	-
-	6,124	-	-	4,195	110	-	-
-	-	-	-	12,240	-	-	-
-	-	-	1,443	-	-	-	-
5,432	-	-	-	-	-	-	-
20,523	332,108	10,321	6,012	230,120	11,720	-	87,815
-	-	-	-	-	19,421	-	(87,815)
-	-	-	-	-	37,889	161,933	257,815
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,310	\$ 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, 2020

Data Control Codes	491 STAAR One Item Bank	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 213,658	\$ 118,838	\$ 363,637
5800 State Program Revenues	-	-	993,471
5900 Federal Program Revenues	-	298,818	10,852,756
5020 Total Revenues	<u>213,658</u>	<u>417,656</u>	<u>12,209,864</u>
EXPENDITURES:			
Current:			
0011 Instruction	-	125,886	2,587,920
0013 Curriculum and Instructional Staff Development	207,770	9,000	4,780,674
0021 Instructional Leadership	-	-	624,629
0023 School Leadership	-	-	848,802
0031 Guidance, Counseling, and Evaluation Services	-	-	3,735
0051 Facilities Maintenance and Operations	3,693	8,220	462,742
0053 Data Processing Services	2,195	4,390	352,283
0061 Community Services	-	-	299,769
0062 School District Administrative Support (ESC Only)	-	-	1,746,492
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	301,052
6030 Total Expenditures	<u>213,658</u>	<u>147,496</u>	<u>12,008,098</u>
1200 Net Change in Fund Balance	-	270,160	201,766
0100 Fund Balance - September 1 (Beginning)	-	192,470	650,107
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 462,630</u>	<u>\$ 851,873</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2020

	752	754	799	
	Print Shop	Computer Operations	Internal Service Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,181,182	\$ 1,181,182
Investments - Current	682,510	-	350,510	1,033,020
Due from Other Governments	68,849	-	20,270	89,119
Due from Other Funds	-	151,761	256,220	407,981
Other Receivables	250	-	-	250
Inventories	56,449	-	-	56,449
Other Current Assets	-	-	404	404
Total Current Assets	<u>808,058</u>	<u>151,761</u>	<u>1,808,586</u>	<u>2,768,405</u>
Noncurrent Assets:				
Capital Assets:				
Buildings and Improvements	-	-	85,813	85,813
Depreciation on Buildings	-	-	(45,587)	(45,587)
Furniture and Equipment	41,577	458,179	318,538	818,294
Depreciation on Furniture and Equipment	<u>(41,577)</u>	<u>(316,243)</u>	<u>(313,532)</u>	<u>(671,352)</u>
Total Noncurrent Assets	<u>-</u>	<u>141,936</u>	<u>45,232</u>	<u>187,168</u>
Total Assets	<u>808,058</u>	<u>293,697</u>	<u>1,853,818</u>	<u>2,955,573</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	12,217	8,708	130,253	151,178
Due to Other Funds	32,328	284,989	181,755	499,072
Due to Other Governments	-	-	4,820	4,820
Total Liabilities	<u>44,545</u>	<u>293,697</u>	<u>316,828</u>	<u>655,070</u>
NET POSITION				
Unrestricted Net Position	<u>763,513</u>	<u>-</u>	<u>1,536,990</u>	<u>2,300,503</u>
Total Net Position	<u>\$ 763,513</u>	<u>\$ -</u>	<u>\$ 1,536,990</u>	<u>\$ 2,300,503</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, 2020

	752	754	799	Total
	Print Shop	Computer Operations	Internal Service Fund	Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 554,796	\$ 761,315	\$ 2,167,574	\$ 3,483,685
Total Operating Revenues	<u>554,796</u>	<u>761,315</u>	<u>2,167,574</u>	<u>3,483,685</u>
OPERATING EXPENSES:				
Payroll Costs	352,529	560,999	439,894	1,353,422
Professional and Contracted Services	218,792	199,171	1,326,384	1,744,347
Supplies and Materials	74,971	42,339	78,210	195,520
Other Operating Costs	4,746	16,098	114,595	135,439
Depreciation Expense	-	125,277	6,574	131,851
Total Operating Expenses	<u>651,038</u>	<u>943,884</u>	<u>1,965,657</u>	<u>3,560,579</u>
Operating Income (Loss)	(96,242)	(182,569)	201,917	(76,894)
Total Net Position - September 1 (Beginning)	<u>859,755</u>	<u>182,569</u>	<u>1,335,073</u>	<u>2,377,397</u>
Total Net Position August 31 (Ending)	<u>\$ 763,513</u>	<u>\$ -</u>	<u>\$ 1,536,990</u>	<u>\$ 2,300,503</u>

REGION ONE EDUCATION SERVICE CENTER
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	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	\$ 554,796	\$ 761,315	\$ 2,167,574	\$ 3,483,685
Cash Received from Assessments - Other Funds	-	50,413	18,604	69,017
Cash Received from Suppliers	-	-	2,519	2,519
Cash Payments for Assessments - Other Funds	(15,221)	-	-	(15,221)
Cash Payments to Employees for Services	(352,529)	(560,999)	(439,895)	(1,353,423)
Cash Payments for Contracted Services	(218,792)	(199,171)	(1,326,384)	(1,744,347)
Cash Payments for Suppliers	(63,377)	(35,461)	-	(98,838)
Cash Payments for Other Operating Expenses	(4,746)	(16,097)	(114,595)	(135,438)
Net Cash Provided by (Used for) Operating Activities	<u>(99,869)</u>	<u>-</u>	<u>307,823</u>	<u>207,954</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(99,869)	-	307,823	207,954
Cash and Cash Equivalents at Beginning of Year	<u>782,379</u>	<u>-</u>	<u>1,223,869</u>	<u>2,006,248</u>
Cash and Cash Equivalents at End of Year	<u>\$ 682,510</u>	<u>\$ -</u>	<u>\$ 1,531,692</u>	<u>\$ 2,214,202</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ (96,242)	\$ (182,569)	\$ 201,917	\$ (76,894)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	-	125,276	6,574	131,850
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Prepaid Items	-	-	18,610	18,610
Decrease (increase) in Receivables	(68,732)	-	(17,240)	(85,972)
Decrease (increase) in Inventories	19,977	-	-	19,977
Decrease (increase) in Due From Other Funds	-	(151,761)	(236,184)	(387,945)
Decrease (increase) in Other Receivables	21,917	-	70,710	92,627
Increase (decrease) in Accounts Payable	(8,383)	6,880	80,729	79,226
Increase (decrease) in Due to Other Funds	32,328	202,174	181,755	416,257
Increase (decrease) in Due to Other Governments	(734)	-	952	218
Net Cash Provided by (Used for) Operating Activities	<u>\$ (99,869)</u>	<u>\$ -</u>	<u>\$ 307,823</u>	<u>\$ 207,954</u>



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

**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, 2020, 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 19, 2021.

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 cursive script that reads "Cascos & Associates, PC". The signature is written in black ink and is positioned above the printed name of the firm.

Cascos & Associates, PC
Brownsville, Texas
January 19, 2021



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF TEXAS SINGLE AUDIT CIRCULAR

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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Region One Education Service Center's (the "Center") major federal and state programs for the year ended August 31, 2020. The Center's major federal and state programs are identified in the summary of auditors' 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 the 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 and 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, 2020.



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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, 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 and 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 and 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 and state 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.



Casco & Associates, PC
Brownsville, Texas
January 19, 2021

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2020

I. Summary of the Auditors' Results:

Financial Statements

Type of auditors' report on financial statements:	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 federal 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):	No

Major programs are as follows:

Federal

<u>CFDA Numbers:</u> 84.334A 84.011A 84.027A & 84.173A 84.181	<u>Name of Federal or State Program:</u> Title IV, GEAR UP Program Title I, Part C Migrant Special Education Cluster Special Education – Grants for Infants & Families with Disabilities
---	--

State

<u>CFDA Numbers:</u> N/A	<u>Name of Federal or State Program:</u> Early Childhood Intervention
-----------------------------	--

Dollar threshold used to distinguish between Type A and Type B federal programs:	\$1,048,405
Dollar threshold used to distinguish between Type A and Type B state programs:	\$300,000
Low risk auditee:	Yes

II. Financial Statement Findings

None reported.

III. Federal and State Award Findings and Questioned Costs

None reported.

REGION ONE EDUCATION SERVICE CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020

(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
<u>FEDERAL AWARDS</u>				
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Texas Department of Agriculture:</i>				
ESC Child Nutrition Program	10.560	108-950	\$ -	\$ 60,316
ESC Child Nutrition Program	10.560	108-950	-	631,920
Total CFDA 10.560			-	692,236
Total Passed Through Texas Department of Agriculture			-	692,236
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	692,236
U.S. DEPARTMENT OF EDUCATION				
<i>Direct Programs:</i>				
Title IV, Operation College Bound	84.066A	P066A160111	-	252,034
Title IV, GEAR UP Program	84.334A	P334A110180	-	5,416
Title IV, College Ready, GEAR UP Program	84.334A	P334A180024	2,316,174	4,361,121
Title IV, College Now, GEAR UP Program	84.334A	P334A180025	3,695,663	6,677,885
Total CFDA 84.334A			6,011,837	11,044,422
Title II, Project RISE	84.374A	U374A160002	7,054,615	9,954,498
Title IV, Project HEAL2	84.411C	U411C160117	192,197	518,079
Total Direct Programs			13,258,649	21,769,033
<i>Passed Through State Department of Education:</i>				
School Improvement Facilitator	84.010A	196101547110001	-	153,878
ESC ESSA - Title I, Basic Services Initiative	84.010A	206101197110001	-	40,484
Title 1, ESC Comprehensive School Support	84.010A	196101407110001	-	148,647
Title 1, ESC Comprehensive School Support C2	84.010A	206101537110001	-	427,846
Title 1, ESC TX Instructional Leader Expansion	84.010A	206101457110001	-	135,520
Title 1, ESC TX Instructional Leadership	84.010A	206101507110001	-	18,168
Total CFDA 84.010A			-	924,543

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

(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
Title 1, Part C, - Grants to ESCs	84.011A	206150027110001	-	1,393,203
Title 1, Part C, Migrant	84.011A	20615001108950	224	76,376
Title 1, Part C, - Migrant State PAC	84.011A	206150157110001	-	91,352
Total CFDA 84.011A			<u>224</u>	<u>1,560,931</u>
Title III, Part A Basic Services	84.365A	206710027110001	-	107,791
Title III, Part A - ELA	84.365A	19671001108950	1,088	1,088
Title III, Part A - ELA	84.365A	20671001108950	4,345	20,798
Total CFDA 84.365A			<u>5,433</u>	<u>129,677</u>
*IDEA - Part B - Pre-School	84.173A	206610227110001	-	321,735
*IDEA - Part B - Leadership	84.027A	206600567110001	-	1,644,337
*IDEA - Part B - Special FIEP, Charter Support	84.027A	206600571089506681	-	59,657
*IDEA - Part B - Access General To Curriculum	84.027A	206600587110001	-	355,683
*IDEA - Part B - Positive Behavior Supports & Intervention:	84.027A	206600597110001	-	133,035
*IDEA - Part B - FIEP and Charter Support	84.027A	206600571089506682	-	7,885
*IDEA - Part B - Liaison Grant	84.027A	206600657110001	-	125,171
*IDEA - Part B - Multiple Exceptionalities and Multiple Needs:	84.027A	206600797110001	-	554,605
*IDEA - Part B Sensory Impairments	84.027A	206600227110001	-	61,759
Total CFDA 84.027A			<u>-</u>	<u>2,942,132</u>
ESC CTE - Leadership	84.048A	204200097110001	-	10,989
Perkins Reserve	84.048A	204200287110072	93,547	513,349
Texas Ecosystem Design Team	84.048A	194200637110001	-	10,000
ESC CTE Admin and PBM	84.048A	204200107110001	-	52,463
Total CFDA 84.048A			<u>93,547</u>	<u>586,801</u>
ESC Capacity Building Grant	84.196A	19460008711001	-	3,173
Title IV, Part A - ESC Technical Assistance Program	84.424A	196801057110001	-	5,307
Title II, Part A, Supporting Effective Instructor	84.367A	20694501108950	7,332	7,982
Title II, ESC Technical Assistance and Monitoring	84.367A	196945747110001	-	3,273
ESC TX Instructional Leadership	84.367A	196945737110001	-	95,303
Equity Plan Support	84.367A	196945647110001	-	8,505
Total CFDA 84.367A			<u>7,332</u>	<u>115,063</u>

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2020

(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
ESC Instructional Continuity TA	84.377A	176107417110001	-	76,304
Regional Early Childhood Education Support Specialist:	93.575	193928017110001	2,320	136,338
Regional Early Childhood Education Support Specialist:	93.575	193928027110001	-	83,875
Total CFDA 93.575			<u>2,320</u>	<u>220,213</u>
ESC ESSA Basic Services Initiative	84.999	206000117110001	-	40,974
Total Passed Through State Department of Education			<u>108,856</u>	<u>6,926,853</u>
<i>Passed Through Texas Health and Human Services Commission:</i>				
*Special Education-Grants to States	84.027	HHS000191200015	-	143,340
Special Education-Grants for Infants & Families with Disabilities	84.181	HHS000191200015	-	1,684,467
PDG Training	93.434	HHS000191200015	-	3,975
Total Passed Through Texas Health and Human Services Commission			<u>-</u>	<u>1,831,782</u>
<i>Passed Through Texas Workforce Commission:</i>				
Adult Basic Education - Federal	84.002A	2318ALA000	-	132,312
Adult Basic Education - Professional Development	84.002A	2318ALA000	-	17,987
Adult Basic Education - Civics	84.002A	2318ALA000	-	4,936
Adult Basic Education - Federal	84.002A	2318ALAB00	-	1,970,852
Adult Basic Education - Civics	84.002A	2318ALAB00	-	197,947
Adult Basic Education - Federal	84.002A	2318ALAC00	-	364,185
Adult Basic Education - Civics	84.002A	2318ALAC00	-	23,669
Total CFDA 84.002A			<u>-</u>	<u>2,711,888</u>
Total Passed Through Texas Workforce Commission			<u>-</u>	<u>2,711,888</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>13,367,505</u>	<u>33,239,556</u>

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2020

(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
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
<i>Passed Through Texas Workforce Commission:</i>				
Temporary Assistance for Needy Families	93.558	2318ALAB00	-	306,450
Total Passed Through Texas Workforce Commissior			-	306,450
<i>Passed Through Texas Health and Human Services Commission:</i>				
Special Education-Temporary Assistance for Needy Familie:	93.558	HHS000191200015	-	370,662
Medicaid Administrative Claiming Program	93.778	529-11-0040-00016	-	337,925
Total Passed Through Texas Health and Human Services Commissior			-	708,587
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			-	1,015,037
Total Expenditures of Federal Awards			<u>13,367,505</u>	<u>34,946,829</u>
<u>STATE AWARDS</u>				
<i>State Department of Education:</i>				
Texas Math Science Initiate	N/A	190268087110001	-	6,514
Math Ach - ESC Acad Implement	N/A	2811903	-	43,883
Total State Department of Education			-	50,397
<i>Region VI Education Service Center:</i>				
Texas Lesson Study grant	N/A	210291547110003	-	15,284
Texas Lesson Study grant	N/A	210292107110003	-	171,455
Total Region VI Education Service Center			-	186,739
<i>Texas Health and Human Services Commission:</i>				
Respite GR	N/A	HHS000191200015	-	13,262
Early Childhood Intervention	N/A	HHS000191200015	-	1,030,774
Total Texas Health and Human Services Commissior			-	1,044,036
<i>Texas Workforce Commission:</i>				
Adult Basic Education	N/A	2318ALA000	-	414,910
Total Texas Workforce Commission			-	414,910
Total Expenditures of State Awards			-	1,696,082
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 13,367,505</u>	<u>\$ 36,642,911</u>

*Indicates clustered program under OMB Compliance Supplement

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2020

1. GENERAL

The Schedule of Expenditures of Federal and State Awards 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 of Expenditures of Federal and State Awards.

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

Federal funds for Child Nutrition Cluster, School Health and Related Services (SHARS), Medicaid Administrative Claims (MAC) are reported in the General Fund. All other federal programs are accounted for and reported in Special Revenue Funds.

2. BASIS OF ACCOUNTING AND PRESENTATION

The Schedule of Expenditures of Federal and State Awards 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 of Expenditures of Federal and State Awards 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 of Expenditures of Federal and State Awards for the year ended August 31, 2020.

Federal and state revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance- Government Funds (Exhibit C-3)	\$ 44,640,633
Less:	
Other federal and state revenues	<u>7,997,722</u>
Federal expenditures per the Schedule of Expenditures of Federal and State Awards (Exhibit K-1)	<u><u>\$ 36,642,911</u></u>

REGION ONE EDUCATION SERVICE CENTER

COMMENTS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES

FOR THE YEAR ENDED
AUGUST 31, 2020



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

January 19, 2021

Board of Trustees
Region One Education Service Center
Edinburg, Texas

We have audited the financial statements of Region One Education Service Center (the "Center"), for the year ended August 31, 2020, and have issued our report thereon dated January 19, 2021. We considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of a matter that, while not involving material weakness in internal accounting control, is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion regarding that matter. This letter does not affect our report, dated January 19, 2021, on the financial statements of the Center.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various of the Center's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Yours truly,

Cascos & Associates, PC

Cascos & Associates, PC

REGION ONE EDUCATION SERVICE CENTER
COMMENTS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

AUGUST 31, 2020

CURRENT YEAR COMMENTS

DEFICIT FUND BALANCE

Comment:

For the year ended August 31, 2020 the Capital Projects Fund had a deficit fund balance in the amount of \$1,881,441.

Recommendation:

We recommend the Center budget for other resources or uses to avoid deficit fund balances.

Management's Response:

Management will set up a process to monitor fund balances on a monthly basis.

PRIOR YEAR COMMENTS

None.

We appreciate the opportunity to be of service to the Center. If you should have any questions or require further information, please do not hesitate to call.