

**REGION ONE
EDUCATION SERVICE CENTER**

ANNUAL FINANCIAL AND COMPLIANCE REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2019**

REGION ONE EDUCATION SERVICE CENTER
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
 <u>Basic Financial Statements</u>	
<i>Government Wide Statements:</i>	
A-1 Statement of Net Position	10
B-1 Statement of Activities	11
<i>Governmental Fund Financial Statements:</i>	
C-1 Balance Sheet	12
C-2 Reconciliation for C-1	14
C-3 Statement of Revenues, Expenditures and Changes in Fund Balance	15
C-4 Reconciliation for C-3	17
<i>Proprietary Fund Financial Statements:</i>	
D-1 Statement of Net Position	18
D-2 Statement of Revenues, Expenses and Changes in Net Position	19
D-3 Statement of Cash Flows	20
<i>Fiduciary Fund Financial Statements:</i>	
E-1 Statement of Fiduciary Net Position	21
E-2 Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule- General Fund	46
G-2 Schedule of the Center's Proportionate Share of Net Pension Liability- Teachers Retirement System	47
G-3 Schedule of the Center's Contributions- Teachers Retirement System	49
G-4 Schedule of the Center's Proportionate Share of Net OPEB Liability	51
G-5 Schedule of the Center's OPEB Contributions Teacher Retirement System	52
Teacher Retirement System Notes to the Required Supplementary Information	53
 <u>Combining Statements</u>	
<i>Nonmajor Governmental Funds:</i>	
H-1 Combining Balance Sheet	54
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59
<i>Internal Service Funds:</i>	
H-3 Combining Statement of Net Assets	64
H-4 Combining Statement of Revenues, Expenses and Changes in Net Position	65
H-5 Combining Statement of Cash Flows	66

REGION ONE EDUCATION SERVICE CENTER
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

TABLE OF CONTENTS-CONTINUED

Federal Awards Section

	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67
	Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	69
	Schedule of Findings and Questioned Costs	71
	Summary Schedule of Prior Audit Findings	72
K-1	Schedule of Expenditures of Federal Awards	73
	Notes to Schedule of Expenditures of Federal Awards	77

CERTIFICATE OF BOARD

Region One Education Service Center
Name of Service Center

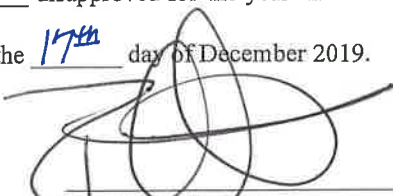
Hidalgo
County

108-950
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named service center were reviewed and (check one) approved disapproved for the year ended August 31, 2019 at a meeting of the Board of Directors of such service center on the 17th day of December 2019.



Signature of Board Secretary



Signature of Board President



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Region One Education Service Center

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 Region One Education Service Center, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Region One Education Service Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Region One Education Service Center's 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 Region One Education Service Center as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, budgetary comparison information, and pension and OPEB information on pages 4-9 and 46-52 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 Region One Education Service Center’s basic financial statements. The combining statements, required TEA schedules and the schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are 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, required TEA schedules and 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 December 17, 2019 on our consideration of the Region One Education Service 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 Region One Education Service 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 Region One Education Service Center’s internal control over financial reporting and compliance.



Cascos & Associates, PC
Brownsville, Texas
December 17, 2019



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, 2019. Please read it in conjunction with the Center’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

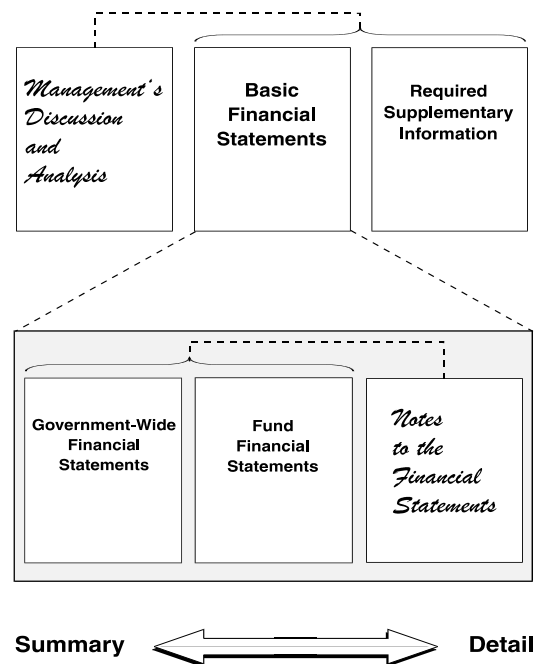
- The Center’s total combined net assets were \$44,277,610 at August 31, 2019, which reflects a decrease of 12.85% between fiscal years 8/31/18 and 8/31/19.
- During the year, the Center’s expenses were \$2,264,938 less than the \$62,730,145 generated in local charges and other revenues for governmental activities. This is more than last year, when revenues exceeded expenses by \$821,428.
- The general fund reported an excess of revenues over expenditures this year of \$3,567,799. There were no transfers from the general fund to the construction and/or proprietary funds. The net increase to the general fund was \$3,567,799 with an ending balance of \$17,499,421.

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 assets • 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 assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 assets 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 assets and how they have changed. Net assets—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 assets 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 assets and a statement of changes in fiduciary net assets. 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 assets. The Center’s combined net assets increased by 22.07%, to approximately \$8,471,634 between the fiscal years 2018 and 2019 (See Table A-1).

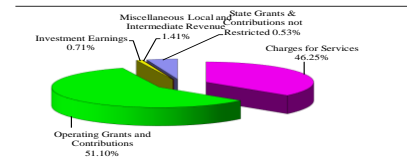
Table A-1
Region One Education Service Center's Net Assets

	Governmental Activities		Total % Change
	2018	2019	
Current Assets:			
Cash and cash equivalents	\$ 1,237,357	\$ 19,525,119	1477.97%
Current investments	20,030,386	2,873,131	-85.66%
Due from other governments	5,311,474	7,980,259	50.25%
Internal Balances	-	4	0.00%
Other receivables	443,917	814,254	83.42%
Prepayments	-	13,340	-
Inventories-supplies	30,575	76,425	149.96%
Other current assets	404	5,674	1304.46%
Total Current Assets	27,054,113	31,288,207	15.65%
Noncurrent Assets:			
Land	110,473	212,653	92.49%
Building	21,144,335	21,144,335	0.00%
Leased property under capital leases	-	-	-
Furniture and equipment	2,204,220	2,419,106	9.75%
Library books and media	1,395,644	1,395,644	0.00%
Construction in Progress	417,487	1,759,731	-
Less: Accumulated depreciation	(13,091,497)	(13,942,066)	6.50%
Total Noncurrent Assets	12,180,662	12,989,403	6.64%
Total Assets	39,234,775	44,277,610	12.85%
Deferred Outflows of Resources			
Deferred Outflow Related to TRS Pension	3,554,434	8,471,703	138.34%
Deferred Outflow Related to TRS OPEB	285,552	2,526,343	-
Total Deferred Outflows of Resources	3,839,986	10,998,046	186.41%
Liabilities:			
Accounts payable and accrued liabilities	562,390	1,309,448	132.84%
Payroll deductions & withholdings	167,088	136,896	-18.07%
Accrued Wages Payable	187,936	252,179	34.18%
Due to other governments	1,409,368	2,217,483	57.34%
Unearned Revenue	68,325	282,599	313.61%
Due Within One Year	-	-	#DIV/0!
Due in More Than One Year	-	-	-
Net Pension Liability (District's Share)	8,304,060	15,042,988	81.15%
Net OPEB Liability (District's Share)	17,038,393	20,314,223	-
Total Liabilities	27,737,560	39,555,816	42.61%
Deferred Inflows of Resources			
Deferred Inflow Related to TRS Pension	1,270,075	824,360	-35.09%
Deferred Inflow Related to TRS OPEB	7,127,191	6,423,846	-
Total Deferred Inflows of Resources	8,397,266	7,248,206	-13.68%
Net Assets:			
Invested in capital assets, net of related debt	12,180,661	12,989,404	6.64%
Restricted for federal and state program	508,543	650,107	0.00%
Restricted for capital projects	5,319,716	-	-100.00%
Restricted for other purposes	7,820,130	1,321,134	-83.11%
Unrestricted net assets	(18,889,117)	(6,489,011)	-65.65%
Total Net Assets	\$ 6,939,933	\$ 8,471,634	22.07%

(1) Unrestricted net assets showed a \$6.4 million deficit at the end of this year as a result of the implementation of GASB Statement No 75. This deficit represents a decrease of 65.65% from the prior year.

Changes in net assets. The Center’s total revenues increased by 38.65% to \$63,788,468. A significant portion, 56.33%, of the Center’s revenue comes from operating grants (See Figure A-3.), while 35.33% relates to charges for services.

The total cost of all programs and services increased 57.70% to \$62,256,766. The instruction and instructional related services and student services functions represent 55% of these costs.



Governmental Activities

- Investment earnings increased by approximately 72.50% due to an increase in the interest rate. Charges for services increased by 5.91% from \$21,279,152 to \$22,536,014 due to an increase 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 1079.83% from \$242,671 to \$2,863,116. 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 \$12,425,365 more federal and state grants as compared to last year. The increase in operating grants and contributions of 52.86% is due a decrease in grant allocations, primarily in the Project Rise and GEAR Up Programs. Overall, funds received for center operations increased by 38.65%.

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

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Program Revenues:			
Charges for services	\$ 21,279,152	\$ 22,536,014	5.91%
Operating grants and contributions	23,508,251	35,933,616	52.86%
Grants and contributions not restricted	242,671	2,863,116	1079.83%
Investment earnings	326,510	563,223	72.50%
State aid - formula grants	-	1,889,499	0.00%
Miscellaneous local and intermediate revenue	651,501	3,000	
Total Revenues	46,008,085	63,788,468	38.65%
Program Expenses:			
Instruction	12,179,010	17,433,484	43.14%
Instructional resources media services	1,267,076	1,380,391	8.94%
Curriculum dev. and instructional staff dev.	10,707,929	15,291,419	42.80%
Instructional leadership	1,901,139	3,294,006	73.26%
School leadership	553,123	941,521	70.22%
Guidance, counseling, and evaluation services	9,101	8,122	-10.76%
Student (pupil)	-	166	0.00%
General administration	1,845,684	2,436,052	31.99%
Plant and maintenance	1,473,353	2,097,635	42.37%
Security and monitoring	-	-	0.00%
Data processing services	2,858,411	3,996,094	39.80%
Community services	337,558	491,261	45.53%
School district administrative support	3,667,255	4,752,710	29.60%

	<u>2018</u>	<u>2019</u>	
Debt service	-	-	-
Capital Outlay	-	-	100.00%
Payments to fiscal agent/member dist.-SSA	<u>2,678,445</u>	<u>10,133,905</u>	278.35%
Total Expenditures	<u>39,478,084</u>	<u>62,256,766</u>	57.70%
Increase (Decrease) in Net Assets	<u>\$ 6,530,001</u>	<u>\$ 1,531,702</u>	-76.54%

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 57.70% this year ending at \$62,256,766. Some of the cost was paid by those who directly benefited from the programs \$22,536,014 or by grants and contributions totaling \$35,933,616.

	<u>Total Cost of Services</u>		Total
	<u>2018</u>	<u>2019</u>	<u>% Change</u>
Instruction	\$12,179,010	\$17,433,484	43.14%
Instructional Resources and Media Services	1,267,076	1,380,391	8.94%
Curriculum Dev. And Instructional Staff Dev.	10,707,929	15,291,419	42.80%
Instructional Leadership	1,901,139	3,294,006	73.26%
General Administration	1,845,684	2,436,052	31.99%
Plant Maintenance & Operations	1,473,353	2,097,635	42.37%
Data Processing Services	2,858,411	3,996,094	39.80%
School District Administration Support (ESC only)	3,667,255	4,752,710	29.60%
Payments Related to Shared Services Arrangements	2,678,445	10,133,905	278.35%

FINANCIAL ANALYSIS OF THE CENTER’S FUNDS

Revenues from governmental fund types totaled \$62,730,145, an increase of 22.66% 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 52.86% is due to an increase in grant allocations, primarily in the Project Rise and GEAR Up Programs. Expenditures from governmental fund types totaled \$60,465,207 an increase of 20.17% over the preceding year. The increase in expenditures across all functions of \$10 million is primarily due to an increase in the Project Rise and GEAR Up Programs.

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 \$2,765,666 below final budget amounts. Some local programs expended less than appropriations. On the other hand, resources available were \$754,287 over the final budgeted amount.

CAPITAL ASSETS

At the end of 2019, the Center had invested \$26,931,469 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase of \$1,659,310 or 6.57% 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>2018</u>	<u>2019</u>	<u>% Change</u>
Land	\$ 110,473	\$ 212,653	92.49%
Buildings and improvements	21,144,335	21,144,335	0.00%
Capital leases	-	-	-
Equipment	2,204,220	2,419,106	9.75%
Library books & media	1,395,644	1,395,644	
Construction in Progress	417,487	1,759,731	-
Totals at historic cost	<u>25,272,159</u>	<u>26,931,469</u>	6.57%
Total accumulated depreciation	<u>(13,091,498)</u>	<u>(13,942,066)</u>	6.50%
Net capital assets	<u>\$ 12,180,661</u>	<u>\$ 12,989,403</u>	6.64%

The Center's fiscal year 2018-19 capital budget projects has earmarked for construction an additional \$4,251,032 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 2019-2020.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are \$27,713,902 an increase of 7.44% over the final 2019 budget of \$25,795,956. The original budget for 2019-20 represents very conservative figures.

Expenditures are budgeted to increase by 3.88% to \$26,748,333. The increase 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 2020.

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, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 19,525,119
1120 Current Investments	2,873,131
1240 Due from Other Governments	7,980,259
1290 Other Receivables, Net	814,254
1300 Inventories	76,425
1410 Prepayments	13,340
1490 Other Current Assets	5,674
Capital Assets:	
1510 Land	212,653
1520 Buildings, Net	9,179,275
1530 Furniture and Equipment, Net	227,214
1550 Leased Property Under Capital Leases, Net	214,886
1560 Library Books and Media, Net	1,395,644
1580 Construction in Progress	1,759,732
1000 Total Assets	44,277,606
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	8,471,703
1706 Deferred Outflow Related to TRS OPEB	2,526,343
1700 Total Deferred Outflows of Resources	10,998,046
LIABILITIES	
2110 Accounts Payable	1,309,445
2150 Payroll Deductions and Withholdings	136,896
2160 Accrued Wages Payable	252,179
2180 Due to Other Governments	2,217,483
2300 Unearned Revenue	282,599
Noncurrent Liabilities:	
2540 Net Pension Liability (District's Share)	15,042,988
2545 Net OPEB Liability (District's Share)	20,314,223
2000 Total Liabilities	39,555,813
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	824,360
2606 Deferred Inflow Related to TRS OPEB	6,423,846
2600 Total Deferred Inflows of Resources	7,248,206
NET POSITION	
3200 Net Investment in Capital Assets	12,989,404
3820 Restricted for Federal and State Programs	650,107
3890 Restricted for Other Purposes	1,321,134
3900 Unrestricted	(6,489,011)
3000 Total Net Position	\$ 8,471,634

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, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 17,433,484	\$ 5,699,932	\$ 9,602,912	\$ (2,130,640)
12 Instructional Resources and Media Services	1,380,391	1,211,357	-	(169,034)
13 Curriculum and Instructional Staff Development	15,291,419	6,769,751	9,436,111	914,443
21 Instructional Leadership	3,294,006	591,525	2,368,594	(333,887)
23 School Leadership	941,521	-	852,766	(88,755)
31 Guidance, Counseling and Evaluation Services	8,122	-	8,122	-
34 Student (Pupil) Transportation	166	-	-	(166)
41 General Administration	2,436,052	2,220,820	4,757	(210,475)
51 Facilities Maintenance and Operations	2,097,635	746,482	935,486	(415,667)
53 Data Processing Services	3,996,094	2,873,434	512,420	(610,240)
61 Community Services	491,261	-	412,077	(79,184)
62 School District Administrative Support (ESC)	4,752,710	2,422,713	1,666,466	(663,531)
93 Payments Related to Shared Services Arrangements	10,133,905	-	10,133,905	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 62,256,766</u>	<u>\$ 22,536,014</u>	<u>\$ 35,933,616</u>	<u>(3,787,136)</u>

Data Control Codes	General Revenues:	
	Taxes:	
SF	State Aid - Formula Grants	1,889,499
GC	Grants and Contributions not Restricted	2,863,116
IE	Investment Earnings	563,223
MI	Miscellaneous Local and Intermediate Revenue	3,000
TR	Total General Revenues	<u>5,318,838</u>
CN	Change in Net Position	1,531,702
NB	Net Position - Beginning	<u>6,939,932</u>
NE	Net Position--Ending	<u>\$ 8,471,634</u>

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

REGION ONE EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	Gear Up	Project RISE
ASSETS			
1110 Cash and Cash Equivalents	\$ 9,580,691	\$ -	\$ -
1120 Investments - Current	2,873,131	-	-
1240 Due from Other Governments	266,834	3,465,695	1,874,806
1260 Due from Other Funds	5,543,809	-	-
1290 Other Receivables	631,962	-	-
1000 Total Assets	<u>\$ 18,896,427</u>	<u>\$ 3,465,695</u>	<u>\$ 1,874,806</u>
LIABILITIES			
2110 Accounts Payable	\$ 61,328	\$ 367,749	\$ 28,859
2150 Payroll Deductions and Withholdings Payable	136,896	-	-
2160 Accrued Wages Payable	201,426	-	-
2170 Due to Other Funds	582,464	1,474,902	1,559,157
2180 Due to Other Governments	132,294	1,623,044	286,790
2300 Unearned Revenue	282,599	-	-
2000 Total Liabilities	<u>1,397,007</u>	<u>3,465,695</u>	<u>1,874,806</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	8,536,487	-	-
3000 Total Fund Balances	<u>17,499,421</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 18,896,428</u>	<u>\$ 3,465,695</u>	<u>\$ 1,874,806</u>

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

Early Childhood Intervention	60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 7,305,472	\$ 632,708	\$ 17,518,871
-	-	-	2,873,131
684,117	-	1,685,661	7,977,113
-	-	34,774	5,578,583
-	-	89,415	721,377
<u>\$ 684,117</u>	<u>\$ 7,305,472</u>	<u>\$ 2,442,558</u>	<u>\$ 34,669,075</u>
\$ 182,538	\$ 423,779	\$ 173,243	\$ 1,237,496
-	-	-	136,896
-	-	50,753	252,179
474,974	-	1,424,307	5,515,804
26,605	-	144,148	2,212,881
-	-	-	282,599
<u>684,117</u>	<u>423,779</u>	<u>1,792,451</u>	<u>9,637,855</u>
-	-	650,107	650,107
-	-	-	1,321,134
-	6,881,693	-	7,881,693
-	-	-	6,641,800
-	-	-	8,536,487
<u>-</u>	<u>6,881,693</u>	<u>650,107</u>	<u>25,031,221</u>
<u>\$ 684,117</u>	<u>\$ 7,305,472</u>	<u>\$ 2,442,558</u>	<u>\$ 34,669,076</u>

REGION ONE EDUCATION SERVICE CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	25,031,221
1 The District 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.		2,377,397
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 \$24,582,938 and the accumulated depreciation was (\$12,565,549). 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 decrease net position.		12,017,390
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 2019 capital outlays and debt principal payments is to decrease net position.		1,444,425
4 Include in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$8,471,703, a deferred resource inflow in the amount of \$824,360, and a net pension liability in the amount of \$15,042,988. This resulted in a (decrease) in net position.		(7,395,645)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$2,526,343, a deferred resource inflow in the amount of \$6,423,846, and a net OPEB liability in the amount of \$20,314,223. This resulted in a (decrease) in net position.		(24,211,726)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(791,428)
19 Net Position of Governmental Activities	\$	8,471,634

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, 2019

Data Control Codes	10 General Fund	Gear Up	Project RISE
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 22,196,476	\$ -	\$ -
5800 State Program Revenues	3,077,502	-	-
5900 Federal Program Revenues	1,276,265	9,289,952	8,769,173
5020 Total Revenues	<u>26,550,243</u>	<u>9,289,952</u>	<u>8,769,173</u>
EXPENDITURES:			
Current:			
0011 Instruction	6,676,422	2,085,891	-
0012 Instructional Resources and Media Services	1,326,258	-	-
0013 Curriculum and Instructional Staff Development	5,100,154	2,654,953	2,114,529
0021 Instructional Leadership	598,265	407,581	541,899
0023 School Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-
0041 General Administration	2,561,328	4,757	-
0051 Facilities Maintenance and Operations	825,732	125,599	75,034
0053 Data Processing Services	3,126,758	23,254	27,140
0061 Community Services	18,903	167,663	-
0062 School District Administrative Support (ESC Only)	2,748,624	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	3,820,254	6,010,571
6030 Total Expenditures	<u>22,982,444</u>	<u>9,289,952</u>	<u>8,769,173</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,567,799</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	3,567,799	-	-
0100 Fund Balance - September 1 (Beginning)	<u>13,931,622</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 17,499,421</u>	<u>\$ -</u>	<u>\$ -</u>

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

Early Childhood Intervention	60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 905,761	\$ 23,102,237
732,544	-	981,517	4,791,563
5,440,054	-	10,060,901	34,836,345
6,172,598	-	11,948,179	62,730,145
4,902,479	-	2,703,239	16,368,031
-	-	-	1,326,258
26,966	-	4,622,322	14,518,924
914,258	-	534,005	2,996,008
-	-	852,766	852,766
-	-	8,122	8,122
-	-	-	2,566,085
189,625	-	545,861	1,761,851
139,270	-	326,592	3,643,014
-	-	244,162	430,728
-	-	1,666,466	4,415,090
-	1,444,425	-	1,444,425
-	-	303,080	10,133,905
6,172,598	1,444,425	11,806,615	60,465,207
-	(1,444,425)	141,564	2,264,938
-	4,251,032	-	4,251,032
-	(244,630)	-	(244,630)
-	4,006,402	-	4,006,402
-	2,561,977	141,564	6,271,340
-	4,319,716	508,543	18,759,881
\$ -	\$ 6,881,693	\$ 650,107	\$ 25,031,221

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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	6,271,340
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		(3,684,997)
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 2019 capital outlays and debt principal payments is to decrease net position.		1,444,425
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.		(791,428)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflow. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$941,542. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$938,478. 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 \$1,379,008. The net result is an increase(decrease) in the change in net position.		(1,375,944)
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 \$281,740. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$282,885. 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 \$330,549. The net result is an increase(decrease) in the change in net position.		(331,694)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>1,531,702</u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2019

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,006,248
Due from Other Governments	3,146
Due from Other Funds	20,036
Other Receivables	92,877
Inventories	76,425
Prepayments	13,340
Other Current Assets	5,674
Total Current Assets	<u>2,217,746</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	85,813
Depreciation on Buildings	(37,006)
Furniture and Equipment	818,294
Depreciation on Furniture and Equipment	(548,083)
Total Noncurrent Assets	<u>319,018</u>
Total Assets	<u>2,536,764</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	71,950
Due to Other Funds	82,815
Due to Other Governments	4,602
Total Liabilities	<u>159,367</u>
NET POSITION	
Unrestricted Net Position	<u>2,377,397</u>
Total Net Position	<u><u>\$ 2,377,397</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, 2019

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 3,570,595
Total Operating Revenues	<u>3,570,595</u>
OPERATING EXPENSES:	
Payroll Costs	1,137,604
Professional and Contracted Services	1,700,640
Supplies and Materials	230,918
Other Operating Costs	120,889
Depreciation Expense	59,140
Total Operating Expenses	<u>3,249,191</u>
Income Before Transfers	321,404
Transfer In	244,630
Transfers Out	<u>(4,251,032)</u>
Change in Net Position	(3,684,998)
Total Net Position - September 1 (Beginning)	<u>6,062,395</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 2,377,397</u></u>

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

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 3,570,595
Cash Received from Assessments - Other Funds	125,621
Cash Payments to Employees for Services	(1,137,604)
Cash Payments for Contracted Services	(1,700,641)
Cash Payments for Suppliers	(365,179)
Cash Payments for Other Operating Expenses	(120,889)
Net Cash Provided by Operating Activities	<u>371,903</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	244,630
Operating Transfer Out	(4,251,032)
Net Cash Used for Non-Capital Financing Activities	<u>(4,006,402)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	<u>(214,886)</u>
Net Decrease in Cash and Cash Equivalents	(3,849,385)
Cash and Cash Equivalents at Beginning of Year	<u>5,855,631</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,006,246</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 321,404
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	59,140
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	13,374
Decrease (increase) in Inventories	(45,850)
Decrease (increase) in Prepaid Expenses	(18,610)
Increase (decrease) in Accounts Payable	(88,412)
Increase (decrease) in Due to Other Funds	82,815
Decrease (increase) in Due From Other Funds	213
Decrease (increase) in Other Receivables	70,614
Decrease (increase) in Due to Other Govts	(22,785)
Net Cash Provided by Operating Activities	<u>\$ 371,903</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, 2019

	Private Purpose Trust Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 99,393
Total Assets	<u>\$ 99,393</u>
LIABILITIES	
Due to Student Groups	99,393
Total Liabilities	<u>\$ 99,393</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, 2019

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 64,476
Total Additions	<u>64,476</u>
DEDUCTIONS:	
Professional and Contracted Services	59,996
Supplies and Materials	4,137
Other Operating Costs	343
Total Deductions	<u>64,476</u>
Change in Net Position	-
Total Net Position - September 1 (Beginning)	<u>-</u>
Total Net Position - August 31 (Ending)	<u><u>\$ -</u></u>

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

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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, 2019, 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
YEAR ENDED AUGUST 31, 2019

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
YEAR ENDED AUGUST 31, 2019

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
YEAR ENDED AUGUST 31, 2019

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.

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 Funds*** - 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 is depreciated using the straight line method over the following estimated useful lives:

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

<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
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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 insure 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
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

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 at August 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

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, 2019, 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	\$ 19,525,119	-	\$ -	\$ -	\$ -	N/A
Investment Pools:						
TexPool	1,611,316	100.00%	1,611,316	-	-	AAAm
Texas Class Investment	1,261,815	100.00%	1,261,816	-	-	AAAm
Total Investment Pools:	<u>\$ 2,873,131</u>	<u>100.00%</u>	<u>\$ 2,873,131</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Cash and Cash Equivalents	<u>\$ 22,398,250</u>	<u>100.00%</u>	<u>\$ 2,873,131</u>			

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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, 2019, 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
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

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 District 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, 2019, Region One Education Service 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	\$ 1,611,316	\$ 1,611,316	\$ -	\$ -	\$ -
Texas Class Investment	1,261,815	1,261,815	-	-	-
Total	<u>\$ 2,873,131</u>	<u>\$ 2,873,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

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, 2019, 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 Entitlements</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Total</u>
General	\$ 48,110	\$ -	\$ 218,724	\$ 266,834
Special Revenue	1,008,530	5,484,259	1,217,490	7,710,279
Internal Service	<u>-</u>	<u>-</u>	<u>3,146</u>	<u>3,146</u>
Total	<u>\$ 1,056,640</u>	<u>\$ 5,484,259</u>	<u>\$ 1,439,360</u>	<u>\$ 7,980,259</u>

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at August 31, 2019, consisted of the following individual fund balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Fund	\$ 562,427
General Fund	Special Revenue Funds	4,898,567
General Fund	Internal Service Fund	82,815
Special Revenue Fund	Special Revenue Fund	34,774
Internal Service Fund	General Fund	<u>20,036</u>
Total		<u>\$ 5,598,619</u>

The entire balance of \$5,598,619 resulted from end of year reclassifications made between the General Fund.

The following summary briefly summarizes the Center's transfer activity:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	Internal Service Funds	\$ 4,251,032	Construction
Internal Service Funds	Capital Projects Fund	<u>244,630</u>	Operating Costs
	Total	<u>\$ 4,495,662</u>	

D. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of August 31, 2019, 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 \$631,962 with no allowance at year end.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

E. CAPITAL ASSET ACTIVITY

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

	<u>Changes During Year</u>		
	Balance		Balance
Governmental Activities:	<u>9/1/2018</u>	<u>Additions</u>	<u>8/31/2019</u>
Land	\$ 110,473	\$ 102,180	\$ 212,653
Buildings & Improvements	21,144,335	-	21,144,335
Furniture & Equipment	2,204,220	214,886	2,419,106
Construction in Progress	417,487	1,342,245	1,759,732
Library Books & Media	<u>1,395,644</u>	<u>-</u>	<u>1,395,644</u>
Totals at Historic Cost	<u>25,272,159</u>	<u>1,659,311</u>	<u>26,931,470</u>
Less Accumulated Depreciation:			
Buildings & Improvements	(11,264,722)	(700,338)	(11,965,060)
Furniture & Equipment	<u>(1,826,776)</u>	<u>(150,230)</u>	<u>(1,977,006)</u>
Total Accumulated Depreciation	<u>(13,091,498)</u>	<u>(850,568)</u>	<u>(13,942,066)</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 12,180,661</u>	<u>\$ 808,743</u>	<u>\$ 12,989,404</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 Plant Maintenance & Operations	311,979
53 Data Processing Services	200,019
61 Community Services	43,552
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>59,140</u>
Totals	<u>\$ 850,568</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

F. COMMITMENTS UNDER LEASES

Capital Leases

The Public Property Finance Act gives the Center authority to enter into capital leases for the acquisition of personal property. Principal repayment requirements due after August 31, 2019, and current principal and interest requirements are recorded in the applicable fund.

The \$235,054 lease agreement represents IT equipment that is financed under authority provided by Texas Education Code S.8.055. That section authorizes the Center to purchase or lease property or acquire property through lease-purchase and may incur debts for that purpose. The 3-year lease agreement will consist of annual payments of \$78,352 which will be due on the 1st of December for each year. Interest of 1.5% per month will be paid for all overdue amounts until paid. As of August 31, 2019, the Center has paid the lease in full.

Operating (Noncapitalized) Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2019, are as follows:

Year ending <u>August 31,</u>		
2020	\$	156,380
2021		118,480
Total Minimum Rentals	\$	<u>274,860</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 \$20,292,324. Contents and valuable papers and records to “Direct Physical loss, replacement cost Business Personal Property” in the amount of \$9,728,173. 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.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

J. DEFINED PENSION PLAN

Plan Description. Region One Education Service 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.

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 at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

Contribution Rates		
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 941,542
Current fiscal year member contributions		\$ 1,883,720
2018 measurement year NECE On-Behalf Contributions		\$ 1,101,865

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the 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.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions.

Roll Forward - A change was made in the measurement date of the total pension liability for the 2018 measurement year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using the roll forward procedures.

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 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.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2018	3.69% - 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	2.3%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post-Employment Benefit Changes	None

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

Discount Rate. The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 (see page 52 of the TRS CAFR) are summarized below:

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag***			-0.79%
Total	100%		7.25%

* Target Allocations are based on the FY 2016 policy model

** Capital market assumptions some from Aon Hewitt (2017 Q4)

***The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability. The discount rate can be found in the 2018 TRS CAFR, Note 11, page 78.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate share of the net pension liability:	\$ 22,703,476	\$ 15,042,988	\$ 8,841,369

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, the Center reported a liability of \$15,042,988 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Center. The amount recognized by the Center as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Center were as follows:

Center's proportionate share of the collective net pension liability	\$ 15,042,988
State's proportionate share that is associated with the Center	<u>18,014,742</u>
Total	<u>\$ 33,057,730</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0273298053% which was an increase of 0.0013590134% from its proportion measured as of August 31, 2017.

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

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

For the year ended August 31, 2019, the Center recognized pension expense of \$4,100,465 and revenue of \$1,782,979 for support provided by the State.

At August 31, 2019, 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	\$ 93,766	\$ 369,096
Changes in actuarial assumptions	5,423,722	169,491
Differences between projected and actual investment earnings	-	285,430
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,012,673	343
Contributions paid to TRS subsequent to the measurement date	941,542	-
Total as fiscal year-end	<u>\$ 8,471,703</u>	<u>\$ 824,360</u>

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

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>
2020	\$ 1,774,279
2021	1,173,609
2022	1,001,774
2023	1,091,633
2024	1,023,276
Thereafter	641,230

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. Region One Education Service 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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

The 85th Legislature, Regular Session, passed the following statutory changes in HB 3976 which became effective on September 1, 2017. These are described below under the section "Changes in Benefit Terms".

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018. (See the TRS CAFR page 70 for plan rates effective from September 1, 2016 - December 31, 2017.)

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

TRS-Care Montly Premium Rates
 Effective January 1, 2018 - December 31, 2018

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$135	\$200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1020	999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	<u>2018</u>	<u>2019</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Fundings Remitted By Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 281,740
Current fiscal year member contributions		\$ 159,011
2018 measurement year NECE on-behalf contributions		\$ 216,906

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. With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 Rolled Forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% Sourced from Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% - 9.05%
Healthcare Trend Rates	4.50% - 12.00%
Ad-hoc Post Employment Benefit Changes	None

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

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

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

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Proportionate share of the net OPEB liability:	\$ 24,180,905	\$ 20,314,223	\$ 17,255,428

Healthcare Cost Trend Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 16,871,293	\$ 20,314,223	\$ 24,848,636

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, Region One Education Service Center reported a liability of \$20,314,223 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District 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 Region One Education Service Center were as follows:

Center's proportionate share of the collective net pension liability	\$ 20,314,223
State's proportionate share that is associated with the Center	<u>15,721,741</u>
Total	<u>\$ 36,035,964</u>

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

At August 31, 2018, the employer's proportion of the collective Net OPEB Liability was 0.0406846596% which was an increase of 0.0015035551% from its proportion measured as of August 31, 2017.

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.

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

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

Changes in Benefit Terms: The 85th Legislature, Regular Session, passed the following statutory changes which became effective on September 1, 2017:

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

For the year ended August 31, 2019, Region One Education Service Center recognized OPEB expense of \$1,185,297 and revenue of \$571,863 for support provided by the State.

At August 31, 2019, Region One Education Service 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	\$ 1,078,000	\$ 320,588
Changes in actuarial assumptions	338,989	6,103,258
Differences between projected and actual investment earnings	3,553	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	824,061	-
Contributions paid to TRS subsequent to the measurement date	281,740	-
Total as fiscal year-end	\$ 2,526,343	\$ 6,423,846

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:

	OPEB Expense
<u>Year ended August 31,</u>	<u>Amount</u>
2020	\$ (697,005)
2021	(697,005)
2023	(697,005)
2023	(697,677)
2024	(698,061)
Thereafter	(692,490)

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

L. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES

Plan Description. During the year ended August 31, 2019, 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.

M. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2019, the Center had no liability for accrued sick leave or vacation leave.

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		Title II	Title III	Title I
District		Part A	Part A LEP	Part C, Migrant
District	Member Districts	342	350	301
066005	Ramirez CSD	\$ -	\$ 1,137	\$ -
071803	Paso Del Norte Academy	-	2,706	-
108804	Triumph Public HS - Rio Grande Valley	2,924	3,031	-
124901	Jim Hogg ISD	-	4,330	-
214902	San Isidro ISD	-	2,273	-
240801	Triumph Public HS - Laredo	2,252	6,115	-
240904	Webb CONS ISD	-	812	-
245901	Lasara ISD	-	3,247	-
245904	San Perlita ISD	-	1,407	3,169
		<u>\$ 5,176</u>	<u>\$ 25,058</u>	<u>\$ 3,169</u>

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, 2019

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	\$ 22,011,810	\$ 22,601,348	\$ 22,196,476	\$ (404,872)
5800 State Program Revenues	2,244,608	2,244,608	3,077,502	832,894
5900 Federal Program Revenues	950,000	950,000	1,276,265	326,265
5020 Total Revenues	<u>25,206,418</u>	<u>25,795,956</u>	<u>26,550,243</u>	<u>754,287</u>
EXPENDITURES:				
Current:				
0011 Instruction	6,907,281	6,972,642	6,676,422	296,220
0012 Instructional Resources and Media Services	1,299,422	1,386,764	1,326,258	60,506
0013 Curriculum and Instructional Staff Development	5,528,870	5,739,673	5,100,154	639,519
0021 Instructional Leadership	756,793	717,034	598,265	118,769
0041 General Administration	2,677,547	2,689,895	2,561,328	128,567
0051 Facilities Maintenance and Operations	891,120	844,505	825,732	18,773
0053 Data Processing Services	3,119,211	3,259,347	3,126,758	132,589
0061 Community Services	19,820	22,579	18,903	3,676
0062 School District Administrative Support (ESC Only)	3,937,448	4,115,671	2,748,624	1,367,047
6030 Total Expenditures	<u>25,137,512</u>	<u>25,748,110</u>	<u>22,982,444</u>	<u>2,765,666</u>
1200 Net Change in Fund Balances	68,906	47,846	3,567,799	3,519,953
0100 Fund Balance - September 1 (Beginning)	<u>13,931,622</u>	<u>13,931,622</u>	<u>13,931,622</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 14,000,528</u>	<u>\$ 13,979,468</u>	<u>\$ 17,499,421</u>	<u>\$ 3,519,953</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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
Center's Proportion of the Net Pension Liability (Asset)	0.027329805%	0.025970792%	0.024595365%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 15,042,988	\$ 8,304,060	\$ 9,294,223
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Center	18,014,742	10,117,370	11,407,472
Total	<u>\$ 33,057,730</u>	<u>\$ 18,421,430</u>	<u>\$ 20,701,695</u>
Center's Covered Payroll	\$ 24,571,186	\$ 22,556,245	\$ 20,168,432
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	61.22%	36.81%	46.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 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, 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 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0254251%		0.014951%
\$	8,987,434	\$	3,993,619
	9,336,464		7,143,012
<u>\$</u>	<u>18,323,898</u>	<u>\$</u>	<u>11,136,631</u>
\$	18,323,960	\$	18,323,960
	49.05%		21.79%
	78.43%		83.25%

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 941,542	\$ 938,478	\$ 851,178
Contribution in Relation to the Contractually Required Contribution	(941,542)	(938,478)	(851,178)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 24,463,793	\$ 24,571,186	\$ 22,556,245
Contributions as a Percentage of Covered Payroll	3.85%	3.82%	3.77%

Note: GASB 68, Paragraph 81 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 years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<hr/>	
2016	2015
<hr/>	
\$ 781,457	\$ 752,848
(781,457)	(752,848)
<hr/>	
\$ -	\$ -
<hr/> <hr/>	
\$ 20,618,432	\$ 18,328,960
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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Center's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.04068466%	0.039181105%
Center's Proportionate Share of Net OPEB Liability (Asset)	\$ 20,314,223	\$ 17,038,393
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the Center	15,721,741	13,398,780
Total	<u>\$ 36,035,964</u>	<u>\$ 30,437,173</u>
Center's Covered Payroll	\$ 24,571,186	\$ 22,556,245
Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	82.67%	75.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 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 2019

	2019	2018
Contractually Required Contribution	\$ 281,740	\$ 282,885
Contribution in Relation to the Contractually Required Contribution	(281,740)	(282,885)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
Center's Covered Payroll	\$ 24,463,793	\$ 24,931,186
Contributions as a Percentage of Covered Payroll	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 REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2019

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, 2019

Data Control Codes	203 Child Care Development Block Grant	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	220 Adult Education Federal	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	42,182	113,932	219,266	354,068
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 42,182</u>	<u>\$ 113,932</u>	<u>\$ 219,266</u>	<u>\$ 354,068</u>
LIABILITIES					
2110	Accounts Payable	\$ 29,189	\$ 32,917	\$ 21,549	\$ 17,644
2160	Accrued Wages Payable	-	-	-	50,753
2170	Due to Other Funds	12,993	81,015	155,768	284,853
2180	Due to Other Governments	-	-	41,949	818
2000	Total Liabilities	<u>42,182</u>	<u>113,932</u>	<u>219,266</u>	<u>354,068</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>\$ 42,182</u>	<u>\$ 113,932</u>	<u>\$ 219,266</u>	<u>\$ 354,068</u>

223 TANF Family Assistance	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	281 Charting the Course
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	55,514	400,035	140,190	12,468	140	26,582	15,759
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 55,514</u>	<u>\$ 400,035</u>	<u>\$ 140,190</u>	<u>\$ 12,468</u>	<u>\$ 140</u>	<u>\$ 26,582</u>	<u>\$ 15,759</u>
\$ -	\$ 5,989	\$ 19,863	\$ 5,345	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	49,046	358,639	134,103	11,893	140	26,582	15,759
-	479	21,533	742	575	-	-	-
<u>-</u>	<u>55,514</u>	<u>400,035</u>	<u>140,190</u>	<u>12,468</u>	<u>140</u>	<u>26,582</u>	<u>15,759</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 55,514</u>	<u>\$ 400,035</u>	<u>\$ 140,190</u>	<u>\$ 12,468</u>	<u>\$ 140</u>	<u>\$ 26,582</u>	<u>\$ 15,759</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

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	124,196	32,604	3,434	18,767
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 124,196</u>	<u>\$ 32,604</u>	<u>\$ 3,434</u>	<u>\$ 18,767</u>
LIABILITIES					
2110	Accounts Payable	\$ 21,123	\$ 1,327	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	52,506	31,277	3,434	10,346
2180	Due to Other Governments	50,567	-	-	8,421
2000	Total Liabilities	<u>124,196</u>	<u>32,604</u>	<u>3,434</u>	<u>18,767</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>\$ 124,196</u>	<u>\$ 32,604</u>	<u>\$ 3,434</u>	<u>\$ 18,767</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,889	\$ 97,422	\$ 292,590
14,825	49,479	1,205	8,481	51,539	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	74,711	-
<u>\$ 14,825</u>	<u>\$ 49,479</u>	<u>\$ 1,205</u>	<u>\$ 8,481</u>	<u>\$ 51,539</u>	<u>\$ 37,889</u>	<u>\$ 172,133</u>	<u>\$ 292,590</u>
\$ 333	\$ 4,301	\$ -	\$ -	\$ 330	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
8,802	42,004	1,205	8,481	51,209	-	-	34,774
5,690	3,174	-	-	-	-	10,200	-
<u>14,825</u>	<u>49,479</u>	<u>1,205</u>	<u>8,481</u>	<u>51,539</u>	<u>-</u>	<u>10,200</u>	<u>34,774</u>
-	-	-	-	-	37,889	161,933	257,816
-	-	-	-	-	37,889	161,933	257,816
<u>\$ 14,825</u>	<u>\$ 49,479</u>	<u>\$ 1,205</u>	<u>\$ 8,481</u>	<u>\$ 51,539</u>	<u>\$ 37,889</u>	<u>\$ 172,133</u>	<u>\$ 292,590</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019

Data Control Codes	491 STAAR One Item Bank	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS			
1110	\$ -	\$ 204,807	\$ 632,708
1240	-	995	1,685,661
1260	34,774	-	34,774
1290	14,704	-	89,415
1000	<u>\$ 49,478</u>	<u>\$ 205,802</u>	<u>\$ 2,442,558</u>
LIABILITIES			
2110	\$ -	\$ 13,333	\$ 173,243
2160	-	-	50,753
2170	49,478	-	1,424,307
2180	-	-	144,148
2000	<u>49,478</u>	<u>13,333</u>	<u>1,792,451</u>
FUND BALANCES			
Restricted Fund Balance:			
3450	-	192,469	650,107
3000	<u>-</u>	<u>192,469</u>	<u>650,107</u>
4000	<u>\$ 49,478</u>	<u>\$ 205,802</u>	<u>\$ 2,442,558</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, 2019

Data Control Codes	203 Child Care Development Block Grant	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	220 Adult Education Federal
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	436,015
5900 Federal Program Revenues	56,814	286,081	1,376,833	2,446,458
5020 Total Revenues	56,814	286,081	1,376,833	2,882,473
EXPENDITURES:				
Current:				
0011 Instruction	-	-	902	1,619,971
0013 Curriculum and Instructional Staff Development	56,814	263,487	174,086	6,510
0021 Instructional Leadership	-	2,569	116,308	137,667
0023 School Leadership	-	-	-	779,074
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	77,876	220,621
0053 Data Processing Services	-	-	76,256	118,630
0061 Community Services	-	-	50,028	-
0062 School District Administrative Support (ESC Only)	-	20,025	881,377	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	56,814	286,081	1,376,833	2,882,473
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

223 TANF Family Assistance	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	281 Charting the Course
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
236,983	302,814	2,762,371	753,711	72,970	33,344	122,859	15,759
236,983	302,814	2,762,371	753,711	72,970	33,344	122,859	15,759
150,321	-	21,558	-	800	-	-	-
-	292,038	2,250,223	-	66,597	-	122,859	15,759
12,970	-	252,267	-	-	-	-	-
73,692	-	-	-	-	-	-	-
-	-	8,122	-	-	-	-	-
-	6,755	142,828	57,836	2,559	-	-	-
-	4,021	87,373	16,165	3,014	-	-	-
-	-	-	-	-	-	-	-
-	-	-	679,710	-	33,344	-	-
-	-	-	-	-	-	-	-
236,983	302,814	2,762,371	753,711	72,970	33,344	122,859	15,759
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

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	1,122,386	296,198	3,169	14,666
5020 Total Revenues	1,122,386	296,198	3,169	14,666
EXPENDITURES:				
Current:				
0011 Instruction	518,942	-	-	-
0013 Curriculum and Instructional Staff Development	305,929	58,871	3,169	4,641
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0051 Facilities Maintenance and Operations	5,974	-	-	534
0053 Data Processing Services	3,642	4,923	-	-
0061 Community Services	-	180,394	-	-
0062 School District Administrative Support (ESC Only)	-	52,010	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	287,899	-	-	9,491
6030 Total Expenditures	1,122,386	296,198	3,169	14,666
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
\$ -	\$ -	\$ -	\$ -	\$ -	77,090	415,226	-
-	353,002	10,408	7,827	174,265	-	-	-
30,748	-	-	-	-	-	-	-
30,748	353,002	10,408	7,827	174,265	77,090	415,226	-
-	181,307	-	-	-	49,323	48,128	-
25,058	154,008	10,408	7,827	156,897	13,670	307,425	34,774
-	-	-	-	-	4,182	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	12,300	-	-	2,833	-	4,206	-
-	5,387	-	-	2,095	210	686	-
-	-	-	-	12,440	1,300	-	-
-	-	-	-	-	-	-	-
5,690	-	-	-	-	-	-	-
30,748	353,002	10,408	7,827	174,265	68,685	360,445	34,774
-	-	-	-	-	8,405	54,781	(34,774)
-	-	-	-	-	29,484	107,152	292,589
\$ -	\$ -	\$ -	\$ -	\$ -	37,889	161,933	257,815

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 292,054	\$ 121,391	\$ 905,761
5800 State Program Revenues	-	-	981,517
5900 Federal Program Revenues	-	126,737	10,060,901
5020 Total Revenues	292,054	248,128	11,948,179
EXPENDITURES:			
Current:			
0011 Instruction	-	111,987	2,703,239
0013 Curriculum and Instructional Staff Development	286,382	4,890	4,622,322
0021 Instructional Leadership	-	8,042	534,005
0023 School Leadership	-	-	852,766
0031 Guidance, Counseling and Evaluation Services	-	-	8,122
0051 Facilities Maintenance and Operations	3,577	7,962	545,861
0053 Data Processing Services	2,095	2,095	326,592
0061 Community Services	-	-	244,162
0062 School District Administrative Support (ESC Only)	-	-	1,666,466
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	303,080
6030 Total Expenditures	292,054	134,976	11,806,615
1200 Net Change in Fund Balance	-	113,152	141,564
0100 Fund Balance - September 1 (Beginning)	-	79,318	508,543
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 192,470	\$ 650,107

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2019

	752 Print Shop	754 Computer Operations	799 Internal Service Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 782,379	\$ -	\$ 1,223,869	\$ 2,006,248
Due from Other Governments	116	-	3,030	3,146
Due from Other Funds	-	-	20,036	20,036
Other Receivables	22,167	-	70,710	92,877
Inventories	76,425	-	-	76,425
Prepayments	-	-	13,340	13,340
Other Current Assets	-	-	5,674	5,674
Total Current Assets	<u>881,087</u>	<u>-</u>	<u>1,336,659</u>	<u>2,217,746</u>
Noncurrent Assets:				
Capital Assets:				
Buildings and Improvements	-	-	85,813	85,813
Depreciation on Buildings	-	-	(37,006)	(37,006)
Furniture and Equipment	41,577	458,179	318,538	818,294
Depreciation on Furniture and Equipment	(41,577)	(190,967)	(315,539)	(548,083)
Total Noncurrent Assets	<u>-</u>	<u>267,212</u>	<u>51,806</u>	<u>319,018</u>
Total Assets	<u>881,087</u>	<u>267,212</u>	<u>1,388,465</u>	<u>2,536,764</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	20,598	1,828	49,524	71,950
Due to Other Funds	-	82,815	-	82,815
Due to Other Governments	734	-	3,868	4,602
Total Liabilities	<u>21,332</u>	<u>84,643</u>	<u>53,392</u>	<u>159,367</u>
NET POSITION				
Unrestricted Net Position	<u>859,755</u>	<u>182,569</u>	<u>1,335,073</u>	<u>2,377,397</u>
Total Net Position	<u>\$ 859,755</u>	<u>\$ 182,569</u>	<u>\$ 1,335,073</u>	<u>\$ 2,377,397</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, 2019

	752 Print Shop	754 Computer Operations	799 Internal Service Fund	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 359,536	\$ 695,853	\$ 2,515,206	\$ 3,570,595
Total Operating Revenues	<u>359,536</u>	<u>695,853</u>	<u>2,515,206</u>	<u>3,570,595</u>
OPERATING EXPENSES:				
Payroll Costs	337,520	483,239	316,845	1,137,604
Professional and Contracted Services	214,787	201,582	1,284,271	1,700,640
Supplies and Materials	33,962	66,199	130,757	230,918
Other Operating Costs	1,601	21,593	97,695	120,889
Depreciation Expense	-	43,564	15,576	59,140
Total Operating Expenses	<u>587,870</u>	<u>816,177</u>	<u>1,845,144</u>	<u>3,249,191</u>
Income (Loss) Before Transfers	(228,334)	(120,324)	670,062	321,404
Transfer In	-	244,630	-	244,630
Transfers Out	-	-	(4,251,032)	(4,251,032)
Change in Net Position	<u>(228,334)</u>	<u>124,306</u>	<u>(3,580,970)</u>	<u>(3,684,998)</u>
Total Net Position - September 1 (Beginning)	<u>1,088,089</u>	<u>58,263</u>	<u>4,916,043</u>	<u>6,062,395</u>
Total Net Position August 31 (Ending)	<u>\$ 859,755</u>	<u>\$ 182,569</u>	<u>\$ 1,335,073</u>	<u>\$ 2,377,397</u>

REGION ONE EDUCATION SERVICE CENTER
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	752 Print Shop	754 Computer Operations	799 Internal Service Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 359,536	\$ 695,853	\$ 2,515,206	\$ 3,570,595
Cash Received from Assessments - Other Funds	16,566	62,165	46,890	125,621
Cash Payments to Employees for Services	(337,520)	(483,239)	(316,845)	(1,137,604)
Cash Payments for Contracted Services	(214,787)	(201,582)	(1,284,272)	(1,700,641)
Cash Payments for Suppliers	(73,707)	(107,322)	(184,150)	(365,179)
Cash Payments for Other Operating Expenses	(1,601)	(21,593)	(97,695)	(120,889)
Net Cash Provided by (Used for) Operating Activities	<u>(251,513)</u>	<u>(55,718)</u>	<u>679,134</u>	<u>371,903</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In	-	244,630	-	244,630
Operating Transfer Out	-	-	(4,251,032)	(4,251,032)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>244,630</u>	<u>(4,251,032)</u>	<u>(4,006,402)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	(214,886)	-	(214,886)
Net Decrease in Cash and Cash Equivalents	(251,513)	(25,974)	(3,571,898)	(3,849,385)
Cash and Cash Equivalents at Beginning of Year	1,033,892	25,974	4,795,765	5,855,631
Cash and Cash Equivalents at End of Year	<u>\$ 782,379</u>	<u>\$ -</u>	<u>\$ 1,223,867</u>	<u>\$ 2,006,246</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ (228,334)	\$ (120,324)	\$ 670,062	\$ 321,404
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	-	43,564	15,576	59,140
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	1,399	-	11,975	13,374
Decrease (increase) in Inventories	(45,850)	-	-	(45,850)
Decrease (increase) in Prepaid Expenses	-	-	(18,610)	(18,610)
Increase (decrease) in Accounts Payable	6,104	(41,123)	(53,393)	(88,412)
Increase (decrease) in Due to Other Funds	-	82,815	-	82,815
Decrease (increase) in Due From Other Funds	-	-	213	213
Decrease (increase) in Other Receivables	16,683	-	53,931	70,614
Decrease (increase) in Due to Other Govts	(1,515)	(20,650)	(620)	(22,785)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (251,513)</u>	<u>\$ (55,718)</u>	<u>\$ 679,134</u>	<u>\$ 371,903</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***

Board of Trustees
Region One Education Service Center

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Region One Education Service Center, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Region One Education Service Center's basic financial statements, and have issued our report thereon dated December 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region One Education Service Center's internal control over financial reporting (internal control) to determine the 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 Region One Education Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Region One Education Service 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Region One Education Service 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 determination of financial statement amounts. 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*.



765 East 7th Street / Brownsville, Texas 78520
Phone (956) 544-7778 Fax (956) 544-8465
Email: ccascos@cascoscpa.com



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.



Cascos & Associates, PC
Brownsville, Texas
December 17, 2019



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Region One Education Service Center

Report on Compliance for Each Major Federal Program

We have audited 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 Region One Education Service Center's major federal programs for the year ended August 31, 2019. Region One Education Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Region One Education Service Center's major federal 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). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about Region One Education Service 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 program. However, our audit does not provide a legal determination of Region One Education Service Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Region One Education Service 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 programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

Management of Region One Education Service 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 Region One Education Service Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 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 Region One Education Service 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 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 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 program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Cascos & Associates, PC

Cascos & Associates, PC
Brownsville, Texas
December 17, 2019

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2019

I. Summary of the Auditors' Results:

The type of auditors' report on financial statements:	Unmodified
Regarding internal control over financial reporting:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified:	None reported
• Noncompliance material to the financial statements:	None
Regarding internal control over major programs:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified:	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 CFR 200.516(a):	No
Major programs are as follows:	
<u>CFDA Number:</u>	<u>Name of Federal Program or Cluster:</u>
84.334A	Title IV, GEAR UP Program
84.002A	Adult Basic Education
84.374A	Title II, Project RISE
Dollar threshold used to distinguish between Type A and Type B programs:	\$910,442
Low risk auditee:	No

II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

III. Findings and Questioned Costs for Federal Awards.

None

REGION ONE EDUCATION SERVICE CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

Reference No.

Finding/Noncompliance

None reported.

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Total Federal Expenditures & Indirect Cost
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Department of Agriculture:</i>			
ESC Child Nutrition Program	10.560	108-950	\$ 56,451
ESC Child Nutrition Program	10.560	108-950	<u>741,308</u>
Total Passed Through Texas Department of Agriculture			<u>797,759</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>797,759</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Direct Programs:</i>			
Title IV, Operation College Bound	84.066A	P066A160111	<u>253,879</u>
Total CFDA 84.066A			<u>253,879</u>
Title IV, GEAR UP Program	84.334A	P334A110180	2,340,596
Title IV, College Ready, GEAR UP Program	84.334A	P334A180024	3,252,955
Title IV, College Now, GEAR UP Program	84.334A	P334A180025	<u>3,965,288</u>
Total CFDA 84.334A			<u>9,558,839</u>
Title II, Project RISE	84.374A	U374A160002	<u>8,875,755</u>
Total CFDA 84.374A			<u>8,875,755</u>
Title IV, Project HEAL2	84.411C	U411C160117	<u>1,139,246</u>
Total CFDA 84.411C			<u>1,139,246</u>
Total Direct Programs			<u>19,827,719</u>
<i>Passed Through State Department of Education:</i>			
ESSA Title 1, Part A Basic Services	84.010A	196101197110001	40,217
Title 1, ESC Comprehensive School Support	84.010A	196101407110001	188,070
Title 1, ESC TX Instructional Leadership	84.010A	196101457110001	<u>76,785</u>
Total CFDA 84.010A			<u>305,072</u>

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Total Federal Expenditures & Indirect Cost
Title 1, Part C, - Migratory Basic Services	84.011A	196150027110001	1,421,545
Title 1, Part C, Migratory	84.011A	19615001108950	3,434
Title 1, Part C, - Migrant Special Project State PAC	84.011A	196150157110001	<u>37,542</u>
Total CFDA 84.011A			<u>1,462,521</u>
Title III, Part A	84.365A	196710027110001	129,483
Title III, Part A - ELA	84.365A	19671001108950	<u>32,365</u>
Total CFDA 84.365A			<u>161,848</u>
*IDEA - Part B - Pre-School	84.173A	196610227110001	<u>321,687</u>
Total CFDA 84.173A			<u>321,687</u>
*IDEA - Part B - Leadership	84.027A	196600567110001	1,759,303
*IDEA - Part B - Special FIEP, Charter Support	84.027A	196600571089506681	55,678
*IDEA - Part B - Access General To Curriculum	84.027A	196600587110001	377,888
*IDEA - Part B - PBIS	84.027A	196600597110001	125,433
*IDEA - Part B - FIEP and Charter Support	84.027A	196600571089506682	8,116
*IDEA - Part B - Math and Literacy Academies	84.027A	186600857110001	260,409
*IDEA - Part B - Liaison Grant	84.027A	196600657110001	148,264
*IDEA - Part B - Multiple Exceptionalities and Multiple Needs	84.027A	206600797110001	13,861
*IDEA - Part B Disc.	84.027A	196600021089506674	109,617
*IDEA - Part B Sensory Impairments	84.027A	196600227110001	<u>63,377</u>
Total CFDA 84.027A			<u>2,921,946</u>
Total Special Education Cluster (IDEA)			<u>3,415,612</u>
ESC CTE Admin and PBM Admin	84.048A	194200107110001	59,572
ESC CTE - Leadership	84.048A	194200097110001	<u>17,750</u>
Total CFDA 84.048A			<u>77,322</u>
Title II, Part A, Supporting Effective Instruction	84.367A	19694501108950	15,099
ESC TX Instructional Leadership	84.367A	196945707110001	27,850
Equity Plan Support	84.367A	186945647110001	<u>7,310</u>
Total CFDA 84.367A			<u>50,259</u>

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Total Federal Expenditures & Indirect Cost
ESC ESSA - Title I, Basic Services Initiative	84.999	196000117110001	59,128
Total CFDA 84.999			<u>59,128</u>
Total Passed Through State Dept. of Education			<u>5,359,783</u>
<i>Passed Through Texas Health and Human Services Commission:</i>			
*Special Education-Grants to States	84.027	HHS000191200015	171,979
Total CFDA 84.027			<u>171,979</u>
Special Education-Grants for Infants & Families with Disabilities	84.181	HHS000191200015	734,963
Total CFDA 84.181			<u>734,963</u>
Total Passed Through Texas Health and Human Services Commission			<u>906,942</u>
<i>Passed Through Texas Workforce Commission:</i>			
Adult Basic Education - Federal	84.002A	2318ALA000	1,935,824
Adult Basic Education - Professional Development	84.002A	2318ALA000	48,059
Adult Basic Education - Civics	84.002A	2318ALA000	267,389
Adult Basic Education - Federal	84.002A	2318ALAB00	296,841
Adult Basic Education - Civics	84.002A	2318ALAB00	33,537
Total CFDA 84.002A			<u>2,581,650</u>
Charting the Course	84.126	3018VRS226	15,759
Total CFDA 84.126			<u>15,759</u>
Total Passed Through Texas Workforce Commission			<u>2,597,409</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>28,691,853</u>

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Total Federal Expenditures & Indirect Cost
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
<i>Passed Through State Department of Education:</i>			
TLI ESC Collaborative	93.575	166460547110001	<u>61,255</u>
Total Passed Through State Department of Education			<u>61,255</u>
<i>Passed Through Texas Workforce Commission:</i>			
Temporary Assistance for Needy Families - Adult Education	93.558	2318ALA000	227,245
Temporary Assistance for Needy Families - Adult Education	93.558	2318ALAB00	10,711
Temporary Assistance for Needy Families - Camp Code	93.558	2318TAN002	<u>22,354</u>
Total Passed Through Texas Workforce Commission			<u>260,310</u>
<i>Passed Through Texas Health and Human Services Commission:</i>			
Special Education-Temporary Assistance for Needy Families	93.558	HHS000191200015	<u>399,891</u>
Total CFDA 93.558			<u>660,201</u>
Medicaid Administrative Claiming Program	93.778	529-11-0040-00016	<u>297,189</u>
Total CFDA 93.778			<u>297,189</u>
Total Passed Through Texas Health and Human Services Commission			<u>697,080</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>1,018,645</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 30,508,257</u>

*Clustered Programs

REGION ONE EDUCATION SERVICE CENTER
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2019

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Trust Funds and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, 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).
4. 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.
5. The following is the reconciliation of federal revenues and the Schedule of Expenditures of Federal Awards for the year ended August 31, 2019.

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance- Government Funds (Exhibit C-3)	\$ 34,836,345
Less:	
Other federal revenues	<u>4,328,088</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u><u>\$ 30,508,257</u></u>

SCHOOLS FIRST QUESTIONNAIRE

REGION ONE EDUCATION SERVICE CENTER

Fiscal Year 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$15,042,988
SF13	Pension Expense (6147) at fiscal year-end.	