

REGION 19 EDUCATION SERVICE CENTER
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED AUGUST 31, 2021

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CERTIFICATE OF BOARD

Region 19 Education Service Center
Name of Service Center

El Paso County
County

071-950
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named Education Service Center were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2021, at a meeting of the Board of Directors of such Education Service Center on the 16th day of December 2021.

Signature of Board Secretary

Signature of Board President

If the Board of Directors disapproved of the auditor's report, the reason(s) for disapproving it is(are):

(attach list as necessary)

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region 19 Education Service Center

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 19 Education Service Center as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Region 19 Education Service Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgement, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Region 19 Education Service Center, as of August 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, and the TRS pension and other post employment benefit information on pages 7 through 20 and 79 through 89 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Region 19 Education Service Center's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Uniform Grant Management Standards, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of Region 19 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 19 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 Region 19 Education Service Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gibson Ruddock Patterson, LLC". The signature is written in a cursive, flowing style.





Gibson Ruddock Patterson, LLC
El Paso, Texas
December 15, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the management of Education Service Center - Region 19 discusses and analyzes the Center's financial performance for the fiscal year ended August 31, 2021. Please read it in conjunction with the independent auditor's report on page 4 and the Center's Basic Financial Statements which begin on page 21.

FINANCIAL HIGHLIGHTS

-  Due to the significant changes in the Government-Wide Statement of Net Position due to the implementation of GASB Statement No. 75, the Education Service Center - Region 19 total assets and deferred outflows of resources fall short of its liabilities and deferred inflows of resources on August 31, 2021, the close of its most recent fiscal year, by (\$4,335,981) (net position).
-  Education Service Center - Region 19's total net position increased by \$10,142,730. This amount is comprised of \$30,777,818 increase in the Education Service Center's investment in capital assets net of related debt, and a decrease in unrestricted net position of (\$20,635,088).
-  As of August 31, 2021, the close of the most current fiscal year Education Service Center - Region 19's governmental funds reported an ending fund balance of \$12,933,501, a decrease of \$10,633,641 over the prior year. About \$1.3 million of this amount (unassigned fund balance) is available for spending at the discretion of Education Service Center - Region 19 and \$8.6 million is committed for the construction of a Conference Center and Parking Garage.
-  At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1.3 million, or about 12% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Education Service Center - Region 19's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 23 and 24). These provide information about the activities of the Center as a whole and present a longer-term view of the Center's property and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise. The Statement of Net Position presents information on all of ESC - Region 19's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as "net position." Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of ESC - Region 19 is improving or deteriorating. The Statement of Activities presents information showing how Region 19 ESC's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements (starting on page 27) report the Center's operations in more detail than the government-wide statements by providing information about the Center's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for the appropriations budget. Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Region 19's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Education Service Center - Region 19 maintains 35 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Head Start and Capital Projects Fund, all considered being major funds. The remaining 32 funds are combined into a single aggregated presentation.

For proprietary activities, fund financial statements tell how goods or services of the Center were sold to departments within the Center or to external customers and how the sales revenues covered the expenses of the goods or services. ESC - Region 19 maintains two different types of proprietary funds. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Region 19 ESC uses the Enterprise Fund to account for the Cyber Café, School Zone/Print Shop and for the Allied States Cooperative. Internal service funds are an accounting device used to accumulate and allocate costs internally among Region 19's various functions. The ESC uses internal service funds to account for such activities as Technology Services, Common Area Services, Facilities, Workers Compensation, and Unemployment Compensation. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The notes to the financial statements (starting on page 40) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. The Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the Center is using funds supplied in compliance with the terms of grants.

REPORTING THE CENTER AS A WHOLE

Government-Wide Financial Statements

In the Statement of Net Position and the Statement of Activities, we divide the Center into two kinds of activities:

- Governmental activities—The Center's basic services are reported here, including professional development activities, instructional technology and media services, field services, school district support, instruction, and other services to Head Start children, maintenance, community services, general administration, and capital projects.
- Business-type activities—The Center operates the School Zone which provides a variety of goods and services to area school districts, charter and private schools, non-profit agencies, and the general public as well as internal customers. The store's inventory includes school supplies, office supplies, lamination, dye cutting, poster printing, volume copying, booklet making, business cards, and other services associated with a copy and supply store. The ESC employs a full-time employee to cover printing and copying services and rents high speed equipment in order to provide quality services and quick turn-around time. Additionally, ESC Region 19 administers a national purchasing cooperative, the Allied States Cooperative that provides a full spectrum of goods and services for school districts, city governments, other state governments, county governments, universities, community colleges, non-profits, and special governments. The Center opened a Cyber Café to provide meal services to staff and catering for internal events.

The analysis of the Center's overall financial condition and operations begins on page 21. Its primary purpose is to show whether the Center is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the Center's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Center's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Center's revenues are divided into those provided by outside parties who share the costs of some programs, such as registration fees received from workshop participants from outside the Center (charges for services), grants provided by the U.S. Department of Education to assist regional school districts in the instruction of children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by TEA to provide the core services required by law or for payment of necessary administrative and operational expenses of the Center related to the provision of those services (general revenues). All the Center's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Center's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) provide one measure of the Center's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Center, however, you should consider non-financial factors as well, such as the condition of the facilities and the likelihood of regional school districts to use the services offered by the Center.

Fund Financial Statements

The fund financial statements begin on page 27 and provide detailed information about the most significant funds—not the Center as a whole. Laws and contracts require the Center to establish some funds, such as grants received under the Head Start programs from the U.S. Department of Health and Human Services. The Center's administration establishes other funds to help it control and manage money for its general operations. The Center's two kinds of funds—governmental and proprietary—require different accounting approaches.

- Governmental funds—Most of the Center's services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Center's general operations and the services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The Center reports the activities for which it charges users (whether outside customers or other units of the Center) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the Center's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the Center's other programs and activities—such as the Center's technology services, workers compensation, and unemployment compensation programs, facilities management, and common area services.

GOVERNMENT WIDE FINANCIAL ANALYSIS

The Center implemented GASB Statement No. 34 beginning in 2002. As in the past, we will present and analyze net position measurements for both this year and last year as required by generally accepted accounting principles and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the Center's governmental and business-type activities.

The net position of the Center's governmental activities totaled (\$7,373,561) and unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements - was (\$71,879,892) at August 31, 2021. This compares to net position of (\$16,786,070) and unrestricted net position of (\$50,495,676) as of August 31, 2020. Region 19 ESC's net position is comprised of \$64.4 million in investment in capital assets. Since these assets are used to provide services to Region 19's clients, these assets are not available for future spending. The remaining balance of unrestricted net position (\$71.9 million) reflects the adjustment related to the TRS OPEB and Pension postemployment benefits.

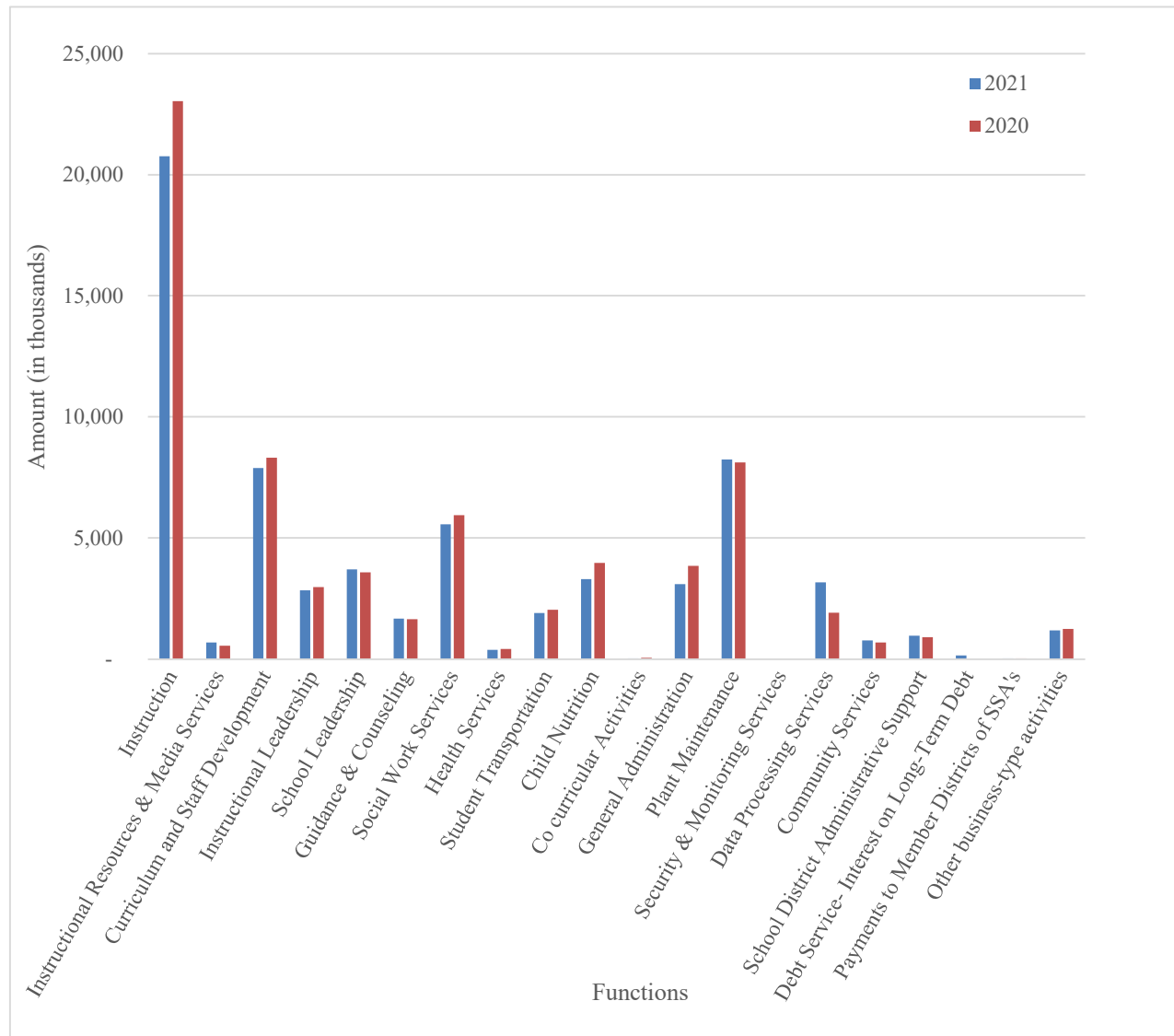
The net position of our business-type activities totaled \$3,037,580 of which all is unrestricted as to its use. This compares to net position of \$2,307,359 of which all is unrestricted as of August 31, 2020. The Education Service Center - Region 19's net position increased by approximately \$10,142,730. This amount is comprised of an increase of \$30,777,818 in capital assets, net of accumulated depreciation, primarily attributed to a combination of net acquisitions (\$32.7 million), less current year depreciation (\$1.9 million), and a decrease of (\$20,635,088) in unrestricted net position. There was an increase in the net position of the ESC's Business-type Activities in the amount of approximately \$730,221, due to an increase in collections of our Allied States Purchasing Cooperative.

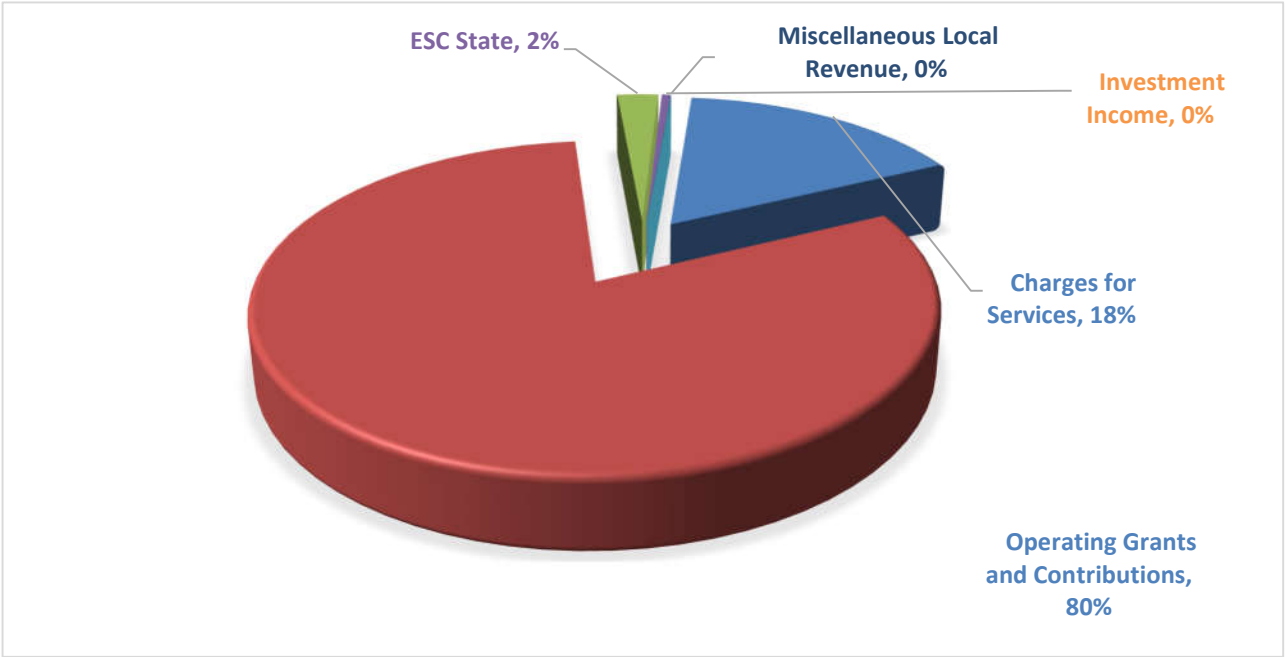
Table I
Education Service Center – Region 19
NET POSITION
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 20,920	\$ 31,822	\$ 2,972	\$ 2,223	\$ 23,892	\$ 34,045
Capital Assets	64,440	33,643	66	85	64,506	33,728
Total Assets	85,360	65,465	3,038	2,308	88,398	67,773
Deferred Outflows Related to TRS	16,286	19,896	-	-	16,286	19,896
Long-term Liabilities	74,171	72,218	-	-	74,171	72,218
Other Liabilities	5,162	5,845	-	-	5,162	5,845
Total Liabilities	79,333	78,063	-	-	79,333	78,063
Deferred Inflows Related to TRS	29,686	24,084	-	-	29,686	24,084
Net Position:						
Investment in Capital Assets	64,440	33,643	67	85	64,507	33,728
Restricted for:						
Restricted for Federal and State Programs	66	66	-	-	66	66
Unrestricted	(71,880)	(50,495)	2,971	2,223	(68,909)	(48,272)
Total Net Position	\$ (7,374)	\$ (16,786)	\$ 3,038	\$ 2,308	\$ (4,336)	\$ (14,478)

Table II
Education Service Center – Region 19
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Charges for Services	\$ 9,372	\$ 9,210	\$ 3,909	\$ 2,323	\$ 13,281	\$ 11,533
Operating Grants and Contributions	61,438	56,543	-	-	61,438	56,543
General Revenues						
ESC State	1,664	1,639	-	-	1,664	1,639
Investment Income	44	333	-	-	44	333
Miscellaneous Local Revenue	14	1	-	-	14	1
Total Revenue	72,532	67,726	3,909	2,323	76,441	70,049
Expenses:						
Instruction	20,758	23,039	-	-	20,758	23,039
Instructional Resources & Media Services	680	545	-	-	680	545
Curriculum and Staff Development	7,882	8,314	-	-	7,882	8,314
Instructional Leadership	2,837	2,968	-	-	2,837	2,968
School Leadership	3,700	3,576	-	-	3,700	3,576
Guidance & Counseling	1,673	1,641	-	-	1,673	1,641
Social Work Services	5,560	5,946	-	-	5,560	5,946
Health Services	380	418	-	-	380	418
Student Transportation	1,896	2,029	-	-	1,896	2,029
Child Nutrition	3,300	3,972	-	-	3,300	3,972
Co curricular Activities	38	54	-	-	38	54
General Administration	3,098	3,847	-	-	3,098	3,847
Plant Maintenance	8,243	8,120	-	-	8,243	8,120
Security & Monitoring Services	-	16	-	-	-	16
Data Processing Services	3,162	1,908	-	-	3,162	1,908
Community Services	771	682	-	-	771	682
School District Administrative Support	969	907	-	-	969	907
Debt Service- Interest on Long-Term Debt	145	-	-	-	145	-
Payments to Member Districts of SSA's	27	32	-	-	27	32
Other business-type activities	-	-	1,179	1,246	1,179	1,246
Total Expenses	65,119	68,014	1,179	1,246	66,298	69,260
Increase in net position before trfs & spec items	7,413	(288)	2,730	1,077	10,143	789
Transfer In/(Out)	2,000	7,580	(2,000)	(7,580)	-	-
Loss on Disposal	-	(21)	-	-	-	(21)
Change in Net Position	9,413	7,271	730	(6,503)	10,143	768
Beginning Net Position	(16,786)	(24,057)	2,307	8,810	(14,478)	(15,246)
Prior Period Adjustment	-	-	-	-	-	-
Ending Net Position	\$ (7,373)	\$ (16,786)	\$ 3,037	\$ 2,307	\$ (4,335)	\$ (14,478)





FUND FINANCIAL STATEMENT ANALYSIS

At the end of 2021, the Center's governmental funds as presented on the balance sheet shown on page 28 reported a total fund balance of \$12,933,501 a decrease of \$10,633,641 from last year's total of \$23,567,142 primarily due to construction costs related to the Conference Center and Naturezeum projects.

Table III Education Service Center Region 19 BALANCE SHEET-GOVERNMENTAL FUNDS (in thousands)			
	2021	2020	Difference
Current Assets	\$ 28,984	\$ 36,047	\$ (7,063)
Total Assets	28,984	36,047	(7,063)
			-
Current Liabilities	16,050	12,480	3,570
Total Liabilities	16,050	12,480	3,570
			-
Fund Balances:			-
Prepaid Items	32	22	10
Restricted	66	66	-
Committed	10,971	21,669	(10,698)
Assigned	562	369	193
Unassigned	1,303	1,441	(138)
Total Fund Balance	12,934	23,567	(10,633)
Total Liabilities and Fund Balance	\$ 28,984	\$ 36,047	\$ (7,063)

The Center's total revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance increased from \$66.3 million in FY 2020 to \$72.7 million in FY 2021. Total local revenue decreased by \$118 thousand due primarily to a decrease in investment earning as construction payments were made and funds were liquidated. State revenues decreased about \$477 thousand due to decreased funding in the ECI Program and state indirect cost revenues. Federal revenues increased by \$6.9 million. The increase in federal revenues was largely due to Head Start grant funding. Local revenue in the General Fund decreased \$329 thousand due to a reduction in investment earnings. The following table illustrates the changes in funding allocations to be used for planning purposes flowing through the Texas Education Agency for 2019 and 2021:

Table IV
Education Service Center - Region 19
SAS 701A Allocations Flowing thru TEA

	2021	2020	Difference
State ESC	\$ 243,294	\$ 243,294	\$ -
State Gifted and Talented	11,000	11,000	-
Visually Impaired	194,757	202,277	(7,520)
Non-Educational Community Based Service	28,500	28,500	-
Total State Allocations	477,551	485,071	(7,520)
			-
IDEA-B Discretionary	1,768,155	1,758,568	9,587
IDEA-B , Preschool	237,204	236,791	413
Title I, Part A	62,112	57,173	4,939
Title I, Part C, Migrant	103,125	438,539	(335,414)
Title III ELA	32,354	41,729	(9,375)
ESSA	21,267	21,235	32
CTE Leadership	30,000	30,000	-
CTE PBM Admin Tech Asst.	-	-	-
CTE Admin Tech Asst.	38,185	38,165	20
CTE Non-Traditional	-	-	-
Total Federal Allocations	2,292,402	2,622,200	(329,798)
			-
Total Allocations	\$ 2,769,953	\$ 3,107,271	\$ (337,318)

The Center's total expenditures increased from \$71.8 million in 2020 to \$95.6 million in 2021, total expenditures increased by \$23.8 million attributable to increased expenditures in the ECI, Head Start program and Capital Projects fund. Total expenditures in the General Fund increased by \$1.6 million due to an increase in technology support to districts and professional development services in Reading Academy and Leadership/Accountability services.

Table V
Education Service Center – Region 19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
(in thousands)

	2021	2020	Difference
Revenues:			
Local and Intermediate	\$ 9,544	\$ 9,663	\$ (119)
State Program Revenues	3,378	3,855	(477)
Federal Program Revenues	59,778	52,810	6,968
Total Revenue	72,700	66,328	6,372
Expenses:			
Instruction	20,250	22,556	(2,306)
Instructional Resources & Media Svc	674	447	227
Curriculum and Staff Development	7,805	7,366	439
Instructional Leadership	2,776	2,713	63
School Leadership	3,595	3,204	391
Guidance & Counseling	1,681	1,528	153
Social Work Services	5,406	5,377	29
Health Services	370	379	(9)
Student Transportation	1,692	2,147	(455)
Child Nutrition	3,372	3,878	(506)
Co curricular Activities	38	54	(16)
General Administration	3,086	3,298	(212)
Plant Maintenance	11,171	7,965	3,206
Security & Monitoring	-	-	-
Data Processing Services	3,457	1,627	1,830
Community Services	760	630	130
School District Adm Support	968	806	162
	145	-	145
Facilities Acquisition and Construction	28,374	7,747	20,627
Pmts to Member Distr of SSA's	27	32	(5)
Total Expenses	95,648	71,754	23,894
Increase in net position before trfs & spec items	(22,948)	(5,426)	(17,522)
Other Financing Sources:			
Non-Current Loans	10,314	777	9,537
Transfers In	2,000	21,650	(19,650)
Transfers Out	-	(10,239)	10,239
Total Other Financing Sources	12,314	12,188	126
Net Change in Fund Balances	(10,634)	6,762	(17,396)
Fund Balance-Beginning	23,567	16,805	6,762
Fund Balance-Ending	\$ 12,933	\$ 23,567	\$ (10,634)

THE CENTER'S BUDGET

On August 20, 2020, the Board of Directors adopted the 2020-2021 budget, which included the ESC State Support and the General Fund (the Center's operating funds). These are the budgets the governing board of the Service Center is required by TEA mandate to adopt no later than August 31 each year. The Board approves these budgets at the fund and function level in order to comply with the state's legal level mandate. The Special Revenue Funds are not required to be legally adopted by the board but are presented as additional information and in order to provide the Board with an overall picture of the Center's activities. Amendments must be presented to the board for approval whenever any function within the operating budget increases or decreases. Requests for changes to the budget which do not affect the functions within the approved budget as well as special revenue budget changes are considered transfers and require only managerial approval.

Over the course of the year, the Board of Directors revised the Center's legally adopted budget several times. The Budgetary Comparison Schedule found on page 80 shows the Center's original legally adopted budget as well as its final operating budget. There is a \$2.6 million difference between the original budget and the final one. This is due in part to the addition of budgets to cover the expenses related the construction of Conference Center and Parking Garage, and for appropriation of funds to cover the approved expenditure of fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the Center had about \$93 million (excluding accumulated depreciation) invested in a broad range of capital assets with unit values over \$5,000, including land, facilities and equipment for instruction, professional development, transportation, administration, and maintenance. The total amount of purchases and deletions represent a net increase of about \$30.8 million over last year's total capital assets.

This year's additions included:

Appliances	214,137
Surveillance & Audio Visual	6,424
Communication Devices	12,307
Playground Shade Improvements	480,115
Interactive Learning Devices	374,918
Network Switches & System Upgrades	490,986
Paper Shredder	30,250
Site Renovations Various Sites	1,423,317
Construction in Progress	<u>29,655,998</u>
Total	32,688,452

Debt

As of August 31, 2021, the Center's outstanding debt included accrued vacation pay, TRS defined Pension Plan liability and Construction Loan. More detailed information about the Center's long-term liabilities is presented in Note F to the financial statements and Note H.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Center does not rely on tax revenues to meet its budget and receives state funding to provide those services required by law (to improve student and school district performance and to enable school districts to operate more efficiently and economically). For fiscal year 2021, this funding totaled \$243,294 of which all was expended. For fiscal year 2021, this funding is \$243,294. Federal funding remains virtually unchanged. Indirect cost revenue, which funds the business and support activities of the Center for 2021 will be at 6.683%. This is the rate the Center may charge state and federal programs for indirect costs. These factors were taken into account when adopting the Center's 2021 budget and affect the Center's hiring practices as well as all other programs and activities that the Center engages in. The ESC continues to implement the goals of objectives of our comprehensive Strategic Plan. The practice of calling the entire main building staff together one Friday each quarter for the purpose of disseminating Center-wide information, discussing issues important to the Center as a whole, introducing new staff, participating in team-building exercises, and hearing presentations from various departments or school districts in the Region 19 area will continue in the new fiscal year.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our clients, grantors, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Associate Executive Director for Support Services at Education Service Center - Region 19, 6611 Boeing Drive, El Paso, Texas 79925.

BASIC FINANCIAL STATEMENTS

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REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes			
	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 15,170,072	\$ -	\$ 15,170,072
1120 Current Investments	500,214	-	500,214
1240 Due from Other Governments	6,827,057	-	6,827,057
1260 Internal Balances	(2,455,244)	2,455,244	-
1290 Other Receivables, Net	464,599	469,315	933,914
1300 Inventories	-	45,932	45,932
1410 Prepayments	413,151	600	413,751
Capital Assets:			
1510 Land	1,660,864	-	1,660,864
1520 Buildings, Net	20,071,644	-	20,071,644
1530 Furniture and Equipment, Net	3,774,100	66,489	3,840,589
1540 Vehicles, Net	996,372	-	996,372
1580 Construction in Progress	37,937,002	-	37,937,002
1000 Total Assets	85,359,831	3,037,580	88,397,411
DEFERRED OUTFLOWS OF RESOURCES			
1705 Deferred Outflow Related to TRS Pension	12,272,852	-	12,272,852
1706 Deferred Outflow Related to TRS OPEB	4,012,918	-	4,012,918
1700 Total Deferred Outflows of Resources	16,285,770	-	16,285,770
LIABILITIES			
2110 Accounts Payable	4,034,713	-	4,034,713
2150 Payroll Deductions and Withholdings	586,658	-	586,658
2160 Accrued Wages Payable	113,559	-	113,559
2180 Due to Other Governments	101,826	-	101,826
2190 Due to Student Groups	3,158	-	3,158
2300 Unearned Revenue	322,250	-	322,250
Noncurrent Liabilities:			
2501 Due Within One Year: Loans, etc.	255,000	-	255,000
Due in More than One Year:			
2502 Loans, Compensated Absences, etc.	10,962,189	-	10,962,189
2540 Net Pension Liability (District's Share)	33,346,554	-	33,346,554
2545 Net OPEB Liability (District's Share)	29,607,135	-	29,607,135
2000 Total Liabilities	79,333,042	-	79,333,042
DEFERRED INFLOWS OF RESOURCES			
2605 Deferred Inflow Related to TRS Pension	5,886,050	-	5,886,050
2606 Deferred Inflow Related to TRS OPEB	23,800,070	-	23,800,070
2600 Total Deferred Inflows of Resources	29,686,120	-	29,686,120
NET POSITION			
3200 Net Investment in Capital Assets	64,439,982	66,490	64,506,472
3820 Restricted for Federal and State Programs	66,439	-	66,439
3900 Unrestricted	(71,879,982)	2,971,090	(68,908,892)
3000 Total Net Position	\$ (7,373,561)	\$ 3,037,580	\$ (4,335,981)

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 20,758,252	\$ 1,995,362	\$ 18,174,555
12 Instructional Resources and Media Services	680,024	93,679	540,443
13 Curriculum and Instructional Staff Development	7,881,838	2,360,033	4,776,721
21 Instructional Leadership	2,837,634	698,990	2,081,347
23 School Leadership	3,700,429	-	3,549,825
31 Guidance, Counseling, and Evaluation Services	1,672,500	42,516	1,596,839
32 Social Work Services	5,560,038	1,637,220	3,841,872
33 Health Services	381,347	-	366,448
34 Student (Pupil) Transportation	1,896,370	-	1,651,371
35 Food Services	3,298,932	-	3,323,317
36 Extracurricular Activities	37,794	-	27,935
41 General Administration	3,097,723	816,447	4,329,810
51 Facilities Maintenance and Operations	8,243,201	536,131	10,220,911
53 Data Processing Services	3,161,905	561,352	2,519,685
61 Community Services	770,552	51,163	654,345
62 School District Administrative Support (ESC)	968,572	578,647	207,056
72 Debt Service - Interest on Long-Term Debt	144,857	-	-
81 Capital Outlay	-	-	3,549,111
93 Payments Related to Shared Services Arrangements	26,637	-	26,637
[TG] Total Governmental Activities:	65,118,605	9,371,540	61,438,228
BUSINESS-TYPE ACTIVITIES:			
01 Allied States Cooperative	494,098	3,235,164	-
02 School Zone / Print Shop	684,855	674,010	-
[TB] Total Business-Type Activities:	1,178,953	3,909,174	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 66,297,558	\$ 13,280,714	\$ 61,438,228
Data			
Control	General Revenues:		
Codes	Taxes:		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
FR	Transfers In (Out)		
TR	Total General Revenues & Transfers		
CN	Change in Net Position		
NB	Net Position - Beginning		
NE	Net Position - Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (588,335)	\$ -	\$ (588,335)
(45,902)	-	(45,902)
(745,084)	-	(745,084)
(57,297)	-	(57,297)
(150,604)	-	(150,604)
(33,145)	-	(33,145)
(80,946)	-	(80,946)
(14,899)	-	(14,899)
(244,999)	-	(244,999)
24,385	-	24,385
(9,859)	-	(9,859)
2,048,534	-	2,048,534
2,513,841	-	2,513,841
(80,868)	-	(80,868)
(65,044)	-	(65,044)
(182,869)	-	(182,869)
(144,857)	-	(144,857)
3,549,111	-	3,549,111
-	-	-
5,691,163	-	5,691,163
-	2,741,066	2,741,066
-	(10,845)	(10,845)
-	2,730,221	2,730,221
5,691,163	2,730,221	8,421,384
1,663,413	-	1,663,413
44,433	-	44,433
13,500	-	13,500
2,000,000	(2,000,000)	-
3,721,346	(2,000,000)	1,721,346
9,412,509	730,221	10,142,730
(16,786,070)	2,307,359	(14,478,711)
\$ (7,373,561)	\$ 3,037,580	\$ (4,335,981)

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

REGION 19 EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		General Fund	Head Start	Capital Projects Fund
ASSETS				
1110	Cash and Cash Equivalents	\$ 7,891,642	\$ 150	\$ 5,666,038
1120	Investments - Current	500,214	-	-
1240	Due from Other Governments	72,369	4,170,578	-
1260	Due from Other Funds	7,210,251	-	-
1290	Other Receivables	464,599	-	-
1410	Prepayments	31,676	517	208,428
1000	Total Assets	<u>\$ 16,170,751</u>	<u>\$ 4,171,245</u>	<u>\$ 5,874,466</u>
LIABILITIES				
2110	Accounts Payable	\$ 1,809,682	\$ 2,004,255	\$ 37,775
2150	Payroll Deductions and Withholdings Payable	586,658	-	-
2160	Accrued Wages Payable	9,379	90,935	-
2170	Due to Other Funds	4,251,201	2,076,055	2,161,210
2180	Due to Other Governments	-	-	-
2190	Due to Student Groups	-	-	-
2300	Unearned Revenue	322,250	-	-
2000	Total Liabilities	<u>6,979,170</u>	<u>4,171,245</u>	<u>2,198,985</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430	Prepaid Items	31,676	-	-
Restricted Fund Balance:				
3490	Other Restricted Fund Balance	-	-	-
Committed Fund Balance:				
3510	Construction	5,751,662	-	3,675,481
3530	Capital Expenditures for Equipment	1,543,338	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	562,065	-	-
3600	Unassigned Fund Balance	1,302,840	-	-
3000	Total Fund Balances	<u>9,191,581</u>	<u>-</u>	<u>3,675,481</u>
4000	Total Liabilities and Fund Balances	<u><u>\$ 16,170,751</u></u>	<u><u>\$ 4,171,245</u></u>	<u><u>\$ 5,874,466</u></u>

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

Other Funds	Total Governmental Funds
\$ 33,931	\$ 13,591,761
-	500,214
2,584,110	6,827,057
140,738	7,350,989
-	464,599
8,307	248,928
<u>\$ 2,767,086</u>	<u>\$ 28,983,548</u>
\$ 133,790	\$ 3,985,502
-	586,658
13,245	113,559
2,448,628	10,937,094
101,826	101,826
3,158	3,158
-	322,250
<u>2,700,647</u>	<u>16,050,047</u>
-	31,676
66,439	66,439
-	9,427,143
-	1,543,338
-	562,065
-	1,302,840
<u>66,439</u>	<u>12,933,501</u>
<u>\$ 2,767,086</u>	<u>\$ 28,983,548</u>

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REGION 19 EDUCATION SERVICE CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 12,933,501
1 The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	3,113,232
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 \$60,678,112 and the accumulated depreciation was (\$27,034,945). In addition, long-term liabilities, including loans payable and compensated absences, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	32,491,769
3 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2021 capital outlays is to increase net position.	22,327,043
4 Included in the items related to debt is the recognition of the Center's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$12,272,852, a deferred resource inflow in the amount of \$5,886,050, and a net pension liability in the amount of \$33,346,554. This resulted in a decrease in net position.	(26,959,752)
5 Included in the items related to debt is the recognition of the Center's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$4,012,918, a deferred resource inflow in the amount of \$23,800,070, and a net OPEB liability in the amount of \$29,607,135. This resulted in a decrease in net position.	(49,394,287)
6 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,885,067)
19 Net Position of Governmental Activities	\$ (7,373,561)

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	General Fund	Head Start	Capital Projects Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 5,096,613	\$ 56,134	\$ 35,001
5800 State Program Revenues	2,330,123	-	-
5900 Federal Program Revenues	3,290,802	49,138,197	-
5020 Total Revenues	10,717,538	49,194,331	35,001
EXPENDITURES:			
Current:			
0011 Instruction	252,512	16,772,233	-
0012 Instructional Resources and Media Services	150,772	523,167	-
0013 Curriculum and Instructional Staff Development	2,975,703	1,380,815	-
0021 Instructional Leadership	118,653	1,401,562	-
0023 School Leadership	43,989	3,550,937	-
0031 Guidance, Counseling, and Evaluation Services	75,180	941,080	-
0032 Social Work Services	71,277	3,034,189	-
0033 Health Services	3,414	364,850	-
0034 Student (Pupil) Transportation	41,999	1,650,620	-
0035 Food Services	49,331	2,056,919	-
0036 Extracurricular Activities	3,203	3,445	-
0041 General Administration	2,230,284	842,165	-
0051 Facilities Maintenance and Operations	699,722	10,049,835	198,280
0053 Data Processing Services	961,590	2,474,471	6,359
0061 Community Services	54,992	594,878	-
0062 School District Administrative Support (ESC Only)	797,714	-	-
Debt Service:			
0072 Interest on Long-Term Debt	-	-	144,857
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,921,056	3,553,165	22,899,665
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030 Total Expenditures	10,451,391	49,194,331	23,249,161
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	266,147	-	(23,214,160)
OTHER FINANCING SOURCES (USES):			
7914 Non-Current Loans	-	-	10,314,372
7915 Transfers In	-	-	2,000,000
7080 Total Other Financing Sources (Uses)	-	-	12,314,372
1200 Net Change in Fund Balances	266,147	-	(10,899,788)
0100 Fund Balance - September 1 (Beginning)	8,925,434	-	14,575,269
3000 Fund Balance - August 31 (Ending)	\$ 9,191,581	\$ -	\$ 3,675,481

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

	Other Funds	Total Governmental Funds
\$	4,356,351	\$ 9,544,099
	1,048,021	3,378,144
	7,349,229	59,778,228
	12,753,601	72,700,471
	3,225,875	20,250,620
	-	673,939
	3,448,862	7,805,380
	1,255,629	2,775,844
	-	3,594,926
	665,129	1,681,389
	2,301,042	5,406,508
	2,780	371,044
	-	1,692,619
	1,264,483	3,370,733
	31,146	37,794
	13,861	3,086,310
	223,056	11,170,893
	14,955	3,457,375
	109,983	759,853
	170,163	967,877
	-	144,857
	-	28,373,886
	26,637	26,637
	12,753,601	95,648,484
	-	(22,948,013)
	-	10,314,372
	-	2,000,000
	-	12,314,372
	-	(10,633,641)
	66,439	23,567,142
\$	66,439	\$ 12,933,501

REGION 19 EDUCATION SERVICE CENTER
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (10,633,641)
The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	408,768
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2021 capital outlays is to increase net position.	22,327,043
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.	(1,885,067)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$2,759,454. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$2,566,783. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$2,346,676. The net result is a decrease in the change in net position.	(2,154,005)
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 \$626,836. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$626,836. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,313,241. The net result is an increase in the change in net position.	1,349,411
Change in Net Position of Governmental Activities	\$ 9,412,509

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

PROPRIETARY FUND FINANCIAL STATEMENTS

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental
	Allied States Cooperative	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 1,578,311
Due from Other Funds	1,584,129	893,720	2,477,849	1,571,420
Other Receivables	463,308	6,007	469,315	-
Inventories	-	45,932	45,932	-
Prepayments	600	-	600	164,223
Total Current Assets	2,048,037	945,659	2,993,696	3,313,954
Noncurrent Assets:				
Capital Assets:				
Buildings and Improvements	-	-	-	5,344
Depreciation on Buildings	-	-	-	(3,436)
Furniture and Equipment	94,985	12,100	107,085	52,552
Depreciation on Furniture and Equipment	(28,496)	(12,100)	(40,596)	(45,382)
Vehicles	-	-	-	29,279
Depreciation on Vehicles	-	-	-	(19,113)
Construction in Progress	-	-	-	269,804
Total Noncurrent Assets	66,489	-	66,489	289,048
Total Assets	2,114,526	945,659	3,060,185	3,603,002
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	-	-	49,211
Due to Other Funds	-	22,605	22,605	440,559
Total Liabilities	-	22,605	22,605	489,770
NET POSITION				
Net Investment in Capital Assets	66,490	-	66,490	289,048
Unrestricted Net Position	2,048,036	923,054	2,971,090	2,824,184
Total Net Position	\$ 2,114,526	\$ 923,054	\$ 3,037,580	\$ 3,113,232

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental
	Allied States Cooperative	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 3,235,164	\$ 674,010	\$ 3,909,174	\$ 2,010,202
Total Operating Revenues	3,235,164	674,010	3,909,174	2,010,202
OPERATING EXPENSES:				
Payroll Costs	313,888	142,231	456,119	588,822
Professional and Contracted Services	132,451	124,195	256,646	463,100
Supplies and Materials	9,607	398,980	408,587	49,181
Other Operating Costs	19,154	19,449	38,603	495,106
Depreciation Expense	18,998	-	18,998	6,570
Total Operating Expenses	494,098	684,855	1,178,953	1,602,779
Operating Income (Loss)	2,741,066	(10,845)	2,730,221	407,423
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	-	-	1,345
Total Nonoperating Revenues (Expenses)	-	-	-	1,345
Income Before Transfers	2,741,066	(10,845)	2,730,221	408,768
Transfer In	-	10,845	10,845	-
Transfers Out	(2,010,845)	-	(2,010,845)	-
Change in Net Position	730,221	-	730,221	408,768
Total Net Position - September 1 (Beginning)	1,384,305	923,054	2,307,359	2,704,464
Total Net Position - August 31 (Ending)	\$ 2,114,526	\$ 923,054	\$ 3,037,580	\$ 3,113,232

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

REGION 19 EDUCATION SERVICE CENTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT D-3

	Business-Type Activities			Governmental Activities -
	Allied States Cooperative	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 2,486,669	\$ 686,564	\$ 3,173,233	\$ -
Cash Received from Assessments - Other Funds	-	-	-	1,412,520
Cash Payments to Employees for Services	(314,012)	(142,231)	(456,243)	(588,822)
Cash Payments for Suppliers	(142,658)	(535,729)	(678,387)	(278,969)
Cash Payments for Other Operating Expenses	(19,154)	(19,449)	(38,603)	(544,729)
Net Cash Provided by Operating Activities	2,010,845	(10,845)	2,000,000	-
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In (Out)	(2,010,845)	10,845	(2,000,000)	-
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	-	-	1,345
Net Increase in Cash and Cash Equivalents	-	-	-	1,345
Cash and Cash Equivalents at Beginning of Year	-	-	-	1,576,966
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ -	\$ 1,578,311
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income (Loss):	\$ 2,741,066	\$ (10,845)	\$ 2,730,221	\$ 407,423
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	18,998	-	18,998	6,570
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Due from Other Funds	(520,343)	18,151	(502,192)	(597,886)
Decrease (increase) in Receivables	(228,152)	(5,597)	(233,749)	204
Decrease (increase) in Inventories	-	(12,554)	(12,554)	-
Decrease (increase) in Prepaid Expenses	(600)	-	(600)	224,041
Increase (decrease) in Accounts Payable	-	-	-	6,539
Increase (decrease) in Accrued Wages Payable	(124)	71	(53)	-
Increase (decrease) in Due to Other Funds	-	(71)	(71)	(46,891)
Net Cash Provided by Operating Activities	\$ 2,010,845	\$ (10,845)	\$ 2,000,000	\$ -

The accompanying notes are an integral part of this statement.

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Region 19 Education Service Center (the “Center”) is a service center which provides educational services for Texas schools within the jurisdiction of the Center. The Center operates under the applicable laws and regulations of the State of Texas. It is governed by an eight member Board of Directors (the “Board”) elected by the Board of Trustees of the school districts within the Center’s region. The Center prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources, and 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.

A. Reporting Entity

The Board is elected by the Board of Trustees of the schools within the Center’s region and it has the authority to make decisions, employ the Executive Director, and significantly influence operations. It also has the primary accountability for fiscal matters. The Center is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”).

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’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by charges to school districts for services, state funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category 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 that time. For pensions and OPEB, these outflows result from pension plan and OPEB contributions made after the measurement date of the net pension and OPEB liabilities and the net differences between projected and actual earnings on pension and OPEB plan investments; results of changes in actuarial assumptions; differences between expected and actual economic experiences; and changes in the Center’s proportional share of net pension and OPEB liabilities. The deferred outflows of resources related to pensions and OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the next fiscal year. The other pension and OPEB related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category 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. For pensions and OPEB, these inflows result from pension plan and OPEB changes in actuarial assumptions; differences between expected and actual economic experiences; and changes in the Center’s proportional share of net pension and OPEB liabilities. These inflows will be amortized over a systematic and rational method over a closed period.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. 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.

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 addition 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.

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 includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function of the Center. Examples include teacher certification, staff development, media production, etc. 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 under the Head Start Act. If a revenue is not a program revenue, it is a general revenue used to support all of the Center's functions.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements.

The fund financial statements report on the financial condition and results of operations for two fund categories - governmental and proprietary. The Center considers some governmental funds as 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 services and producing and delivering goods 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 goods and services, such as material and labor and direct overhead. Other expenses are nonoperating.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, current assets, deferred outflows of resources, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences 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 services provided to districts and teachers. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Center to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources, associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Center reports the following major governmental funds:

1. The **General Fund** - The general fund is the Center's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Head Start Special Revenue** - This fund is used to account for the services provided to economically disadvantaged pre-school children so that they can be prepared for school.
3. **Capital Projects Fund**- This fund is used to account for the construction activity related to the parking garage and conference center.

The Center reports the following major proprietary fund:

4. **Allied States Cooperative** - This fund is used to account for the Center's activities of its national governmental purchasing cooperative which competitively bids and awards contracts to local, regional, and national vendors in compliance with local, state, and federal procurement laws and regulations. In return the Center receives a percentage of the activity between vendors and members.

Additionally, the Center reports the following fund types:

GOVERNMENTAL FUNDS:

1. **Special Revenue Funds** - These funds account for resources restricted to specific purposes by a grantor or contributor. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Permanent Funds** - The Center has no Permanent Funds.

PROPRIETARY FUNDS:

3. **Internal Service Funds** - These funds are used to account for goods or services provided by one department to other departments of the Center on a cost-reimbursement basis. The Center operates five Internal Service Funds. They are Computer Operations and Technology Support, Facilities, Common Area Service, and two insurance funds that cover Workers' Compensation and Unemployment claims. The charges for space rental to various programs are determined by a building use fee and a space rental costs form filed with TEA.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENTERPRISE FUNDS:

4. **Cyber Café** - This fund is used to account for transactions related to food prepared for employees at the Central Office location.
5. **School Zone / Print Shop** - This fund is used to account for transactions related to sales of classroom supplies and printing and related services to educators, schools, and the general public.

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary funds, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Temporary investments are recorded at fair value and consist of investments in registered investment pools, including investments in the Texas Local Government Investment Pool (TexPool), Texas CLASS Investment Pool, and Lone Star Investment Pool. The Center accrues interest on temporary investments based on terms and effective interest rates of the specific investments.
3. All investments are stated at fair value based on quoted market prices as of year end. If applicable, premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities.
4. The funds of the Center must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the Center's agent bank in an amount sufficient to protect Center funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.
5. 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 the Center 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 Center to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Center to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts that the Center is in substantial compliance with the requirements of the Act and with local policies.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Additional policies and contractual provisions governing deposits and investments for the Center are specified below:

Credit Risk:

Deposits - Credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the Center limits investments in commercial paper, corporate bonds, mutual bond funds, and public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2021, the Center's investments in TexPool, Texas CLASS, and LoneStar - Corporate Overnight Fund and Government Overnight Fund investment pools were rated AAAm by Standard & Poor's. The LoneStar - Corporate Overnight Plus Fund investment pool was rated AAAf by Standard & Poor's.

Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the Center limits investments in one or more federally insured depository institutions to amounts, principal and accrued interest, fully covered by federal insurance. As of August 31, 2021, the Center's money market fund was rated AAAm by Standard & Poor's.

Custodial Credit Risk:

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. Since the Center complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments (Cash Equivalents) - 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. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

Investments - To limit the risk that in the event of the failure of the counterparty to a transaction, the Center will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the Center's policy provides that the custodian of the Center's money market fund is an entity described by Government code 2257.041, or registered with the Securities and Exchange Commission (SEC) and operates pursuant to SEC Rule 15c3-3.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk:

Deposits - Concentration of credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the Center's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the Center's investment portfolio.

Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the Center's policy states that the portfolio must be diversified. The money market funds represent approximately 3% of the Center's total cash and investment balances.

Interest Rate Risk:

Deposits - Interest rate risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) and Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the Center requires its investment portfolio to have stated maturities of less than two years from the time of purchase.

Foreign Currency Risk:

Deposits - The Center limits the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Temporary Investments (Cash Equivalents) and Investments - The Center limits the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

7. The Center reports inventories of supplies for School Zone at cost. Supplies are recorded as expenses when they are consumed.
8. It is the Center's policy to permit some employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Capital assets, which include land, buildings, furniture and equipment, and vehicles are reported in the applicable governmental or business-type 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment, and vehicles of the Center are depreciated using the straight line method over the following estimated useful lives which were recommended by the Association of School Board Officials (ASBO):

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	25
Heavy and Other Equipment	10-20
Vehicles	8
Office Equipment	5
Computer Equipment	5

10. Net Position on the Statement of Net Position includes the following:

Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. The Center reports the following fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** - Represents amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.
- **Restricted Fund Balance** - Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** - Represents amounts that are restricted for purposes which the Board of Directors, the Center's highest level of decision-making authority, has designated their use. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. The Board of Directors shall take action to commit funds for a specific purpose prior to the end of the fiscal year.
- **Assigned Fund Balance** - Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the Executive Director and Associate Executive Director of Support Services. Should the Board opt not to commit any balances, it will implicitly defer to the designee to make appropriate assignments.
- **Unassigned Fund Balance** - Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes. Positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a formal resolution. Assigned fund balance is established by the Executive Director or Associate Executive Director of Support Services through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balance is available, the Center considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed amounts, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes of which amounts in any of those unrestricted fund balance classifications could be used, unless the Board of Directors or designee have provided otherwise in their commitment or assignment actions.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.
13. Since Internal Service Funds support the operations of the governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the Center as a whole.
14. When the Center incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.
15. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires Education Service Centers to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
16. In accordance with the Resource Guide, the Center has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the Center’s accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
17. The Center receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the Center by the federal government or the Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate.

The Center does not allocate indirect costs to other functions in the Statement of Activities. These costs are reported in Function 41, General Administration.
18. Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management’s estimates and assumptions that affect the reported amounts of assets and 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.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including the Center's proportionate share of the net pension and OPEB liabilities, are not due and payable in the current period and are not reported as liabilities in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays are expenditures in the fund financial statements, but should be shown as increases in capital assets in the government-wide statements. This adjustment affects both the net position balance and the change in net position. In addition, certain pension expenditures were de-expended and the Center recorded its proportionate share of the pension and OPEB expense.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board adopts an "appropriated budget" for the General Fund. The Center is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The Center compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1. The Board does not legally adopt a budget for special revenue funds since the budgets are designated by the grantor. As such, a budget to actual comparison is not presented in required supplementary information for the major special revenue funds.

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

1. Prior to the regularly scheduled Board meeting in August, 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 ten days' public notice of the meeting must be given.
3. On August 20, 2020, the budget was 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. Because the Center has a policy of careful budgetary control, several amendments were necessary during the year. No expenditures were made prior to approval of the budget.
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.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Temporary Investments

At August 31, 2021, the carrying amount of the Center's general fund and special revenue fund deposits, (cash and interest-bearing savings accounts) were \$1,890,831 and \$33,931, and the total bank balance was \$3,204,482. In addition, the general fund had \$900 and Head Start had \$150 in petty cash recorded in these financial statements. The Center's cash deposits at August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the Center's agent bank in the Center's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Wells Fargo - El Paso, Texas.
- b. The highest combined balances of cash and savings accounts amounted to \$6,137,200 and occurred during the month of September 2021.
- c. The total amount of FDIC coverage at the time of the largest combined balance was \$283,924.
- d. The estimated market value of securities pledged as of the date of the highest combined balance on deposit was \$9,546,820.

The Center also held cash at NBH Bank, an institution other than the depository bank, in a managed deposit account. The bank places deposits in various institutions, all of which are FDIC insured. The carrying amount of this capital project fund deposit was \$5,666,038 at August 31, 2021.

The Center's temporary investments included in cash and cash equivalents at August 31, 2021, are shown below at fair value, which approximates the value of the pool shares:

Temporary Investments	Fair Value	WAM (in days)	Rating (S&P)
TexPool*	\$ 4,968,064	94	AAAm
Texas CLASS**	2,383,846	86	AAAm
Lone Star Corporate Overnight Fund*	61,806	60	AAAm
Lone Star Corporate Overnight Plus Fund**	94,795	82	AAAf
Lone Star Government Overnight Fund*	69,711	100	AAAm
Total	<u>\$ 7,578,222</u>		
Allocated To:			
General Fund	\$ 5,999,911		
Internal Service Funds	1,578,311		
Total	<u>\$ 7,578,222</u>		

* - measured at amortized cost

** - measured at fair value

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

TexPool is a public funds investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. In addition, the TexPool Advisory Board advises on TexPool's investment policies and approves any fee increases. The Advisory Board is composed equally of participants in TexPool and other persons who are qualified to advise TexPool. Texas CLASS (Texas Cooperative Liquid Assets Securities System Trust) is a pooled investment program administered by Public Trust Advisors, LLC. Texas CLASS is governed by the Board of Trustees which has appointed an Advisory Board composed of Participants and other persons who are qualified to advise the Trust. The Lone Star Corporate Overnight, Corporate Overnight Plus, and Government Overnight funds are a member owned, member-governed public funds investment pool. It is overseen by an eleven member Board of Trustees, who are all Pool participants. The Board has also established an Advisory Board made up of participants, which serves as a source of information, input, and feedback relating to Lone Star services.

For those pools measured at amortized cost, management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates.

B. Investments

The Center maintains a fixed income portfolio with Wells Fargo Bank. At August 31, 2021, the portfolio consisted of a money market fund as listed below:

Investment	Fair Value	General Fund	WAM (in days)	Rating (S&P)
BlackRock Federal Fund / Institutional	\$ 500,214	\$ 500,214	22	AAAm
	<u>\$ 500,214</u>	<u>\$ 500,214</u>		

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Center had the following recurring fair value measurements as of August 31, 2021:

- BlackRock Federal Fund / Institutional shares are reported at fair value which approximates \$1.00 per share (Level 1 inputs).

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Interfund Balances

Interfund balances are a result of normal operations and are cleared out periodically. Management intends to pay out these balances within one year.

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
General Fund	\$ 61,194	\$ 61,194
Head Start Fund	2,076,055	-
Capital Projects Fund	2,161,210	-
Nonmajor Governmental Funds	2,448,628	140,738
Internal Service Funds	440,559	1,571,420
Allied States Cooperative	-	1,584,129
Nonmajor Enterprise Funds	22,605	893,720
Total General Fund	<u>7,210,251</u>	<u>4,251,201</u>
Head Start Fund:		
General Fund	<u>-</u>	<u>2,076,055</u>
Capital Projects Fund:		
General Fund	<u>-</u>	<u>2,161,210</u>
Nonmajor Governmental Funds:		
General Fund	<u>140,738</u>	<u>2,448,628</u>
Internal Service Funds:		
General Fund	<u>1,571,420</u>	<u>440,559</u>
Allied States Cooperative:		
General Fund	<u>1,584,129</u>	<u>-</u>
Nonmajor Enterprise Funds:		
General Fund	<u>893,720</u>	<u>22,605</u>
Total	<u>\$ 11,400,258</u>	<u>\$ 11,400,258</u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Other Receivables

Other Receivables as of August 31, 2021, consisted of the following:

Due From	General Fund	Allied States Cooperative	Nonmajor Enterprise Funds	Total
School Districts and Other Local Governments	\$ 278,807	\$ -	\$ -	\$ 278,807
Region 17 Education Service Center	135,989	-	-	135,989
Participants of Certification Programs	49,803	-	-	49,803
Various Vendors through Coop	-	758,678	-	758,678
Miscellaneous Other Receivables	-	-	6,007	6,007
Total	464,599	758,678	6,007	1,229,284
Less: Allowance for Doubtful Accounts	-	(295,370)	-	(295,370)
Total, net	\$ 464,599	\$ 463,308	\$ 6,007	\$ 933,914

The Other Receivables balance in the Allied States Cooperative Enterprise Fund is reported net of the allowance for doubtful accounts. All other receivable balances are reported at gross value. Management has determined that an allowance for doubtful accounts is not necessary for fair presentation.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Capital Asset Activity

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

	Primary Government				
	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<u>Governmental activities:</u>					
Land	\$ 1,660,864	\$ -	\$ -	\$ -	\$ 1,660,864
Buildings and improvements	33,944,338	1,423,317	-	-	35,367,655
Furniture and equipment	11,645,042	1,609,137	28,206	(19,815)	13,206,158
Vehicles	5,146,864	-	-	19,815	5,166,679
Construction in Progress	8,281,004	29,655,998	-	-	37,937,002
Total at historic cost	60,678,112	32,688,452	28,206	-	93,338,358
Less accumulated depreciation for:					
Buildings and improvements	14,489,820	806,191	-		15,296,011
Furniture and equipment	8,608,068	867,649	28,206	(15,453)	9,432,058
Vehicles	3,937,057	217,797	-	15,453	4,170,307
Total accumulated depreciation	27,034,945	1,891,637	28,206	-	28,898,376
Governmental activities capital assets, net	\$ 33,643,167	\$ 30,796,815	\$ -	\$ -	\$ 64,439,982
<u>Business-type activities:</u>					
Furniture and equipment	\$ 107,085	\$ -	\$ -	\$ -	\$ 107,085
Total at historic cost	107,085	-	-	-	107,085
Less accumulated depreciation	-	-	-	-	-
Furniture and equipment	21,598	18,998	-	-	40,596
Total accumulated depreciation	21,598	18,998	-	-	40,596
Business-type activities capital Assets, net	\$ 85,487	\$ (18,998)	\$ -	\$ -	\$ 66,489

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	613,107
Instructional resources and media services		13,676
Curriculum and staff development		102,824
Instructional leadership		34,223
School leadership		58,813
Guidance, counseling and evaluation services		17,835
Social work services		94,204
Health services		5,663
Student (pupil) transportation		185,187
Food services		109,806
General administration		67,864
Facilities maintenance and operations		359,920
Data processing services		202,409
Community services		6,243
School District Admin. Support Services		13,293
		<u>1,885,067</u>
In addition, depreciation on capital assets held by the Center's internal service fund is charged to the various functions based on the usage of the assets.		<u>6,570</u>
Total depreciation expense	\$	<u><u>1,891,637</u></u>

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Other liabilities					
Compensated absences	\$ 78,932	\$ 47,037	\$ -	\$ 125,969	\$ -
Loans payable	776,848	10,314,372	-	11,091,220	255,000
Total other liabilities	<u>\$ 855,780</u>	<u>\$ 10,361,409</u>	<u>\$ -</u>	<u>\$ 11,217,189</u>	<u>\$ 255,000</u>

G. Compensated Absences

Upon retirement or death of certain employees, the Center pays any accrued vacation leave in a lump sum cash payment to such employee or his/her estate.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

H. Loans Payable

On July 20, 2020, the Center entered into a construction loan agreement with NBH Bank (the “Lender”) for \$15,300,000. The Center agreed to construct, furnish, and equip a conference center facility and parking garage with the loan and with other available funds which they deposited with the Lender. The loan is secured by a lien on the facility and pledge of the construction fund assets and unencumbered revenues.

The loan payments will consist of principal (ranging from \$255,000 to \$325,000), plus interest and will be due semiannually beginning June 1, 2022. The loan will mature on June 1, 2030, with a balloon payment of \$10,690,000. Interest is calculated based on the balance of the loan at a fixed rate of 3.47%.

Year Ending August 31,	Bonds Payable		Total
	Principal	Interest	
2022	\$ 255,000	\$ 515,015	\$ 770,015
2023	520,000	505,151	1,025,151
2024	535,000	485,795	1,020,795
2025	555,000	466,303	1,021,303
2026	575,000	447,453	1,022,453
2027 - 2030	12,860,000	1,588,955	14,448,955
Total	\$ 15,300,000	\$ 4,008,673	\$ 19,308,673

Funds are withdrawn as construction progresses in the amount needed to pay the current pay applications and invoices. Although the Center expects to draw the entire \$15,300,000, as of August 31, 2021, \$11,091,220 had been drawn on the loan and is reported as a loan payable.

I. Commitments under Noncapitalized Leases and Service Agreements

The Center is obligated under various operating lease agreements for land, buildings, and equipment. Amounts paid for these leases are recorded as expenditures when paid. Operating leases with a term of more than one year are as follows:

Region 19 Education Service Center leases two parcels of land in the El Paso International Airport tract from the City of El Paso. The original lease term was 50 years and was ending in 2022. During 2018, the Center renegotiated the lease with the City of El Paso for the same parcels of land. The new lease terminated the original lease and is for a period of forty years, commencing on August 7, 2018, with the option to extend for an additional ten years. The annual rent is \$41,757 until August 31, 2022, \$83,892 beginning September 1, 2022, and will be adjusted on September 1, 2027, and each fifth year thereafter based on the percentage increase in the Consumer Price Index for all Urban Consumers.

The Center entered into an agreement with the Ysleta Independent School District on December 10, 1991, to lease approximately 1.5 acres of land originally for a twenty-five year term and two extensions of two years each. The purpose of this lease is to provide a site for the Center’s Head Start program, and includes annual lease payments of \$1.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The Center entered into an agreement with the Ysleta Independent School District on February 19, 1997, to lease approximately 4.4 acres of land for a fifty year term. The purpose of this lease is to provide a site for the Center's Head Start program, and includes annual lease payments of \$1.

On June 9, 1999, the Center entered into a lease with El Paso County for a parcel of land located within the Sparks Subdivision for a twenty-five year term. The lease provides for annual lease payments of \$1.

The Center entered into an agreement with the Clint Independent School District on August 1, 2002. The purpose of this lease is to provide sites for the Center's Head Start program, and includes annual lease payments of \$1. The term of the lease is fifty years.

The Center entered into an agreement with Ysleta Independent School District on November 12, 2003. The purpose of this lease is to provide a site for the Center's Head Start program, and includes annual lease payments of \$1. The term of the lease is fifty years.

The Center entered into an agreement with Fabens Independent School District on February 1, 2009, to lease and occupy the premises of Risinger Elementary School for a fifty year term. The purpose of this lease is to provide a site for the Center's Head Start program, and includes annual lease payments of \$1.

The Center entered into an agreement with the El Paso Community College on February 25, 2010. The purpose of this lease is to provide a site for the Center's Head Start program, and includes annual lease payments of \$1. The term of the lease is fifty years.

The Center entered into an agreement with San Elizario Independent School District on July 30, 2012. The purpose of this lease is to provide a site for the Center's Head Start program, and includes annual lease payments of \$1. The term of the lease is fifteen years.

The Center entered into an agreement with Sierra Blanca Independent School District on September 1, 2014. The purpose of this lease is to provide a site for the Center's Head Start program, and includes annual lease payments of \$3,000. The term of the lease is fifteen years.

The Center entered into an agreement with Westside Community Church on January 1, 2017. The purpose of this lease is to provide a site for the Center's Head Start program. The term of this lease agreement is five years, and includes monthly lease payments of \$3,000, increasing to \$4,000 over the course of the 5 year term.

The Center has various other operating leases that are renewed on an annual basis at the beginning of the fiscal year as well as leases for equipment that are renewed every three to five years.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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

<u>Year Ending August 31,</u>	
2022	\$ 225,895
2023	216,666
2024	216,016
2025	94,645
2026	86,898
2027 - 2031	428,485
2032 - 2036	419,484
2037 - 2041	419,484
2042 - 2046	419,484
2047 - 2051	419,480
2052 - 2056	419,472
2057 - 2060	<u>167,790</u>
Total minimum rentals	<u>\$ 3,533,799</u>

Rental expenditures for the year ended August 31, 2021 for all operating leases were \$1,282,209.

J. Defined Benefit Pension Plan

Plan Description: The Center participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position: Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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.

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

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. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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

	<u>Contribution Rates</u>	
	<u>Plan Fiscal Year</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Contributions Required and Made

2021 Employer Contributions	\$ 2,759,454
2021 Member Contributions	2,662,612
2020 Plan Year NECE On-Behalf Contributions (State)	382,179

Contributors to the plan include active 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 (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

Included in the employer contributions amount listed above for fiscal year 2021, the Center paid \$2,520 in retiree surcharges and \$538,086 for the Public Education Employer Contribution. These two additional surcharges an employer is subject to are summarized as follows:

- 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.
- All public schools, charter schools and regional education service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Actuarial Assumptions: The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020. The actuarial methods and assumption used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2017 and were adopted in July 2018. The following table discloses the assumptions that were applied to this measurement period:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Mortality Assumption	The active mortality rates were based on 90 percent of RP 2014 Employee Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Discount Rate: A single discount rate used to measure the total pension liability was 7.25 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments is 7.25 percent and 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 geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

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%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (Including Credit Sensitive Investments)	-	1.80%	-
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%
Commodities	-	0.80%	-
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag***			-0.67%
Total	100.00%		7.33%

*Target allocations are based on the FY2020 policy model

**Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)

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

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability:

	1% Decrease 6.25%	Current Single Discount Rate 7.25%	1% Increase 8.25%
Center's proportionate share of the net pension liability	\$ 51,419,789	\$ 33,346,554	\$ 18,662,446

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At August 30, 2021, the Center reported a liability of \$33,346,554 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:

The Center's proportionate share of the collective net pension liability	\$ 33,346,554
State's proportionate share that is associated with the Center	<u>4,960,893</u>
Total	<u>\$ 38,307,447</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0622625543% which was a decrease of 0.0024422176% from its proportion measured as of August 31, 2019.

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

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, 2021, the Center recognized pension expense of \$596,685 and revenue of \$596,685 for support provided by the State.

The amount of pension expense recognized by the Center in the reporting period was \$5,510,144.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

At August 31, 2021, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 60,888	\$ 930,614
Changes in actuarial assumptions	7,737,587	3,289,968
Net difference between projected and actual investment earnings	675,073	-
Changes in proportion and difference between Center's contributions and proportionate share of contributions	1,039,850	1,665,468
Center contributions to TRS subsequent to the measurement date	2,759,454	-
Total	<u>\$ 12,272,852</u>	<u>\$ 5,886,050</u>

The \$2,759,454 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2022.

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Amount
2022	\$ 995,672
2023	1,466,230
2024	1,464,576
2025	265,995
2026	(507,264)
Thereafter	(57,861)
	<u>\$ 3,627,348</u>

Changes in Net Pension Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	<u>\$ 33,635,563</u>	<u>\$ 2,279,961</u>	<u>\$ 2,568,970</u>	<u>\$ 33,346,554</u>

Payable to the Pension Plan: At August 31, 2021, the Center reported a payable of \$507,007 to the pension plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$245,737.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. Defined Other Post-Employment Benefit Plan

Plan Description: The Center participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position: Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided: TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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 on active employee compensation. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of salary. Section 1575.204 establishes 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 or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contributions Rates</u>	
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
2021 Employer Contributions	\$ 626,836	
2021 Member Contributions	224,766	
2020 Plan Year NECE On-behalf Contributions (State)	795,456	

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, employers are required to pay to TRS Care a monthly surcharge of \$535 per retiree. During the year ended August 31, 2021, the Center paid \$268 in retiree surcharges to TRS-Care.

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

Actuarial Assumptions: The total OPEB liability (TOL) in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020 using update procedures. The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The total OPEB liability in the August 31, 2019 actuarial valuation was determined using the actuarial assumptions below. Those assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Salary Increases	3.05% to 9.05%, including inflation
Demographic Assumptions	The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of TRS. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale ("U-MP").
Health Care Trend Rates	Initial medical trend rates of 9.00 percent for Medicare retirees and 7.3 percent for non-Medicare retirees. Initial prescription drug trend rate of 9.00 percent for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25 over a period of 13 years.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Election Rates	Normal Retirement: 65 percent participation prior to age 65 and 40 percent participation after age 65; 25 percent pre-65 retirees are assumed to discontinue coverage at age 65
Aging Factors	Based on plan specific experience.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Other Information	
Ad hoc post-employment benefit changes	None
Notes	Assumption changes include a discount rate change from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowering the participation rate assumption for employees who retire after the age of 65, and lowering the ultimate health care trend assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Discount Rate: A single discount rate of 2.33 percent was used to measure the total OPEB liability. There was a decrease of 0.30 percent in the discount rate since the previous year. 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax exempt municipal bonds.

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 in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 1.33%	Current Single Discount Rate 2.33%	1% Increase in Discount Rate 3.33%
Center’s proportionate share of the Net OPEB Liability:	\$ 35,528,494	\$ 29,607,135	\$ 24,930,111

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Healthcare Cost Trend Rates 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 health-care cost trend rate:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Center's proportionate share of the Net OPEB Liability:	\$ 24,185,236	\$ 29,607,135	\$ 36,828,338

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At August 31, 2021, the Center reported a liability of \$29,607,135 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Center. The amount recognized by the Center as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Center were as follows:

The Center's proportionate share of the collective Net OPEB Liability	\$ 29,607,135
State's proportionate share that is associated with the Center	<u>39,784,892</u>
Total	<u><u>\$ 69,392,027</u></u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0778837609%, which was a decrease of 0.0018907212% from its proportion measured as of August 31, 2019.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

There were no changes to benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2021, the Center recognized OPEB expense of \$(276,251) and revenue of \$(276,251) for support provided by the State.

The amount of OPEB expense recognized by the Center in the reporting period was \$(998,826).

At August 31, 2021, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits (OPEB) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,550,218	\$ 13,549,739
Changes in actuarial assumptions	1,826,145	8,130,272
Difference between projected and actual investment earnings	9,621	-
Changes in proportion and difference between the Center's contributions and the proportionate share of contributions	98	2,120,059
Contributions paid to TRS subsequent to the measurement date	626,836	-
Total	<u>\$ 4,012,918</u>	<u>\$ 23,800,070</u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The \$626,836 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2022. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31:	OPEB Expense Amount
2022	\$ (3,353,990)
2023	(3,355,276)
2024	(3,356,011)
2025	(3,355,810)
2026	(2,564,994)
Thereafter	(4,427,907)
	<u>\$ (20,413,988)</u>

Changes in Net OPEB Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net OPEB Liability	\$ 37,726,332	\$ -	\$ 8,119,197	\$ 29,607,135

Payable to the OPEB Plan: At August 31, 2021, the Center reported a payable of \$79,592 to the OPEB plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$20,744.

Medicare Prescription Drug Program: The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the Center's employees for the year ended August 31, 2021, 2020 and 2019 were \$155,526, \$140,236 and \$116,529, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the Center.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

L. Health Care Coverage

The Center participates in TRS Active Care, sponsored by the Teacher Retirement System of Texas, and administered by Aetna. TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Authority for the plan can be found in the Texas Insurance Code, Title 1, Subtitle H, Chapter 1579, and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. This is a premium based plan. Payments are made on a monthly basis for all covered employees. During the year ended August 31, 2021, the Center contributed approximately \$472 per month per employee to the Plan. There were no other liabilities associated with the Plan.

M. Workers' Compensation

As required by law, the Center has acquired adequate workers' compensation insurance coverage contracted through Claims Administrative Service, Inc. The Center has chosen to participate in a political subdivision risk pool, which means that the Center shares its exposure with other school districts and public entities with similar employee populations. Currently, the Center employs more than 1,000 full-time and part-time employees, and pays about \$429,947 in workers' compensation premium annually. This premium is considered sufficient by Claims Administrative Services, Inc. and no contingent liability is required to be reported. This total amount paid for workers' compensation costs is approximately 1.25% of annual payroll.

N. Unemployment Self-insurance Fund

During the year ended August 31, 2021, the Center met its statutory unemployment compensation obligations by participating as a self-funded member of the Texas Association of School Boards (TASB) Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, Region 19 ESC is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

O. Unearned Revenues

Unearned revenues at year-end consisted of the following:

	General Fund	Total
Training and certification courses	\$ 20,790	\$ 20,790
Professional development classes	280,156	280,156
Technology Services	21,304	21,304
Total Unearned Revenues	<u>\$ 322,250</u>	<u>\$ 322,250</u>

P. Revenue from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Head Start	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Allied States Cooperative	Nonmajor Enterprise Funds	Total
Services to other districts	\$ 4,026,578	\$ -	\$ -	\$ 224,998	\$ -	\$ 3,235,164	\$ -	\$ 7,486,740
Tuition and fees	3,650	-	-	-	-	-	-	3,650
Investment income	9,432	-	35,001	-	-	-	-	44,433
Rent	-	-	-	-	57,918	-	-	57,918
Foundations or gifts	13,500	-	-	-	-	-	-	13,500
User charges	1,043,453	56,134	-	4,131,353	1,952,284	-	-	7,183,224
Enterprising Services	-	-	-	-	-	-	674,010	674,010
Total	<u>\$ 5,096,613</u>	<u>\$ 56,134</u>	<u>\$ 35,001</u>	<u>\$ 4,356,351</u>	<u>\$ 2,010,202</u>	<u>\$ 3,235,164</u>	<u>\$ 674,010</u>	<u>\$ 15,463,475</u>

Q. Encumbrances

The Center had no outstanding encumbrances at August 31, 2021.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

R. Fund Balance

As of August 31, 2021, fund balances were composed of the following:

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
<u>NonSpendable:</u>				
Prepaid Items	\$ 31,676	\$ -	\$ -	\$ 31,676
<u>Restricted:</u>				
ESC Certification Program	-	-	56,189	56,189
ESC Teacher Recruitment	-	-	10,250	10,250
Total Federal and State Grant Restrictions	-	-	66,439	66,439
<u>Committed:</u>				
Parking Garage and Conference Center	4,901,662	3,675,481	-	4,901,662
NatureZeum Project	850,000	-	-	850,000
Total Construction	5,751,662	3,675,481	-	5,751,662
Electronic Back-Up Storage	112,000	-	-	112,000
Building Interior/Exterior Upgrades	1,273,838	-	-	1,273,838
Other Equipment	157,500	-	-	157,500
Total Capital Expenditures for Equipment	1,543,338	-	-	1,543,338
<u>Assigned:</u>				
Professional Conferences	562,065	-	-	562,065
Total Other Assigned Fund Balance	562,065	-	-	562,065
<u>Unassigned:</u>				
Unassigned Fund Balance	1,302,840	-	-	1,302,840
Total	\$ 9,191,581	\$ 3,675,481	\$ 66,439	\$ 9,258,020

The Cyber Café had a deficit Net Position of (\$22,605) as of August 31, 2021. This was related to the Café closing shortly after opening due to COVID-19 restrictions. Management believes this will not have an impact on the operations of this fund as it is their intention to cover any shortfalls with general fund assets.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

S. Commitments and Contingencies

Litigation - The Center is the defendant in a number of lawsuits arising principally in the normal course of operations. The Center maintains insurance, and the deductible may be \$25,000 per claim to cover the various lawsuits. In the opinion of the management, the outcome of these lawsuits will not have a material effect on the accompanying basic financial statements and accordingly, no provision has been accrued.

Federal and State Funding - Region 19 Education Service Center participates in numerous state and federal grant programs which are governed by various rules and regulations of 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 collectibility of any related receivable at August 31, 2021, may be impaired.

T. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage.

For the year ended August 31, 2021, Region 19 Education Service Center carried insurance for building and contents in the amount of \$70,415,137 with a deductible ranging from \$25,000 per occurrence to \$100,000 for wind, hail, or storm damage. Flood or earthquake deductible is \$150,000. Automobile liability coverage is limited to \$300,000 per occurrence with a deductible of \$5,000 per occurrence.

U. Related Party Transactions

From time to time, the Center may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions during the fiscal year ending August 31, 2021.

V. Shared Services Arrangements

The Center is the fiscal agent for a Shared Services Arrangement ("SSA") which provides support for migrant students across the area. According to guidance provided in TEA's Resource Guide, the Center has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund 301, Shared Services Arrangements - ESEA Title I, Part C - Education of Migratory Children.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Expenditures of the SSA are summarized below:

Clint I.S.D.	\$ 70,613
Fort Hancock I.S.D.	41,369
Tornillo I.S.D.	30,300
La Fe Preparatory School	7,656
El Paso Academy	<u>9,601</u>
Total	<u>\$ 159,539</u>

W. New Accounting Pronouncements

The Center has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
- GASB No. 89, *Accounting for Interest Cost incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2020. GASB No. 89 requires that interest costs incurred during a construction period be recognized as an expense for business-type activity.
- GASB No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2019. GASB No. 90 amends the method of reporting majority equity interest.
- GASB No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021. GASB No. 91 requires issuers to disclose information about their conduit debt obligations.
- GASB No. 92, *Omnibus*, effective for periods beginning after June 15, 2021. GASB No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans*, effective for periods beginning after June 15, 2021. GASB No. 97 provides specific guidance related to (1) reporting of fiduciary component units that perform duties of a governing board; (2) narrows applicability of certain requirements from GASB No. 84 related to defined benefit pension and OPEB plans and; (3) specific guidance for Internal Revenue Code Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

X. Significant Event - COVID-19

In January 2020, the President of the United States declared a public health emergency for the COVID-19 pandemic. Subsequently, on March 13th, school districts across the state of Texas were ordered to shut down and initiate distance learning through the remainder of the 2019-2020 school year. With the pandemic ongoing, the school districts had to begin their 2020-2021 academic year via distance learning as well.

The state allotments distributed to Service Centers by the TEA may be impacted, the full effects of which are unknown. The Center continues to closely monitor its budget and cash flows to address the needs of its students and personnel. Although future developments and mitigation strategies are out of the control of the Center, management is committed to fulfilling its mission of ensuring success for all students by provided quality services to all education partners in its region.

REQUIRED SUPPLEMENTARY INFORMATION

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,659,470	\$ 4,927,404	\$ 5,096,613	\$ 169,209
5800 State Program Revenues	2,270,158	2,270,158	2,330,123	59,965
5900 Federal Program Revenues	3,055,040	3,055,040	3,290,802	235,762
5020 Total Revenues	9,984,668	10,252,602	10,717,538	464,936
EXPENDITURES:				
Current:				
0011 Instruction	394,664	401,740	252,512	149,228
0012 Instructional Resources and Media Services	184,284	211,808	150,772	61,036
0013 Curriculum and Instructional Staff Development	3,663,434	3,708,687	2,975,703	732,984
0021 Instructional Leadership	177,001	184,558	118,653	65,905
0023 School Leadership	75,386	75,386	43,989	31,397
0031 Guidance, Counseling, and Evaluation Services	170,142	164,415	75,180	89,235
0032 Social Work Services	116,294	116,480	71,277	45,203
0033 Health Services	8,122	8,122	3,414	4,708
0034 Student (Pupil) Transportation	66,139	65,810	41,999	23,811
0035 Food Services	78,624	82,341	49,331	33,010
0036 Extracurricular Activities	1,200	8,096	3,203	4,893
0041 General Administration	2,336,994	2,357,974	2,230,284	127,690
0051 Facilities Maintenance and Operations	687,753	842,111	699,722	142,389
0053 Data Processing Services	916,447	1,066,510	961,590	104,920
0061 Community Services	130,788	130,788	54,992	75,796
0062 School District Administrative Support (ESC Only)	977,396	975,044	797,714	177,330
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	2,514,144	1,921,056	593,088
6030 Total Expenditures	9,984,668	12,914,014	10,451,391	2,462,623
1200 Net Change in Fund Balances	-	(2,661,412)	266,147	2,927,559
0100 Fund Balance - September 1 (Beginning)	8,925,434	8,925,434	8,925,434	-
3000 Fund Balance - August 31 (Ending)	\$ 8,925,434	\$ 6,264,022	\$ 9,191,581	\$ 2,927,559

REGION 19 EDUCATION SERVICE CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET TO ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2021

Budgets and Budgetary Accounting

The Board adopts an "appropriated budget" for the General Fund. The Center is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The Center compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1. The Board does not legally adopt a budget for special revenue funds since the budgets are designated by the grantor. As such, a budget to actual comparison is not presented in required supplementary information for the major special revenue funds.

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

1. Prior to the regularly scheduled Board meeting in August, 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 ten days' public notice of the meeting must be given.
3. On August 20, 2020, the budget was 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. Because the Center has a policy of careful budgetary control, several amendments were necessary during the year. No expenditures were made prior to approval of the budget.
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.

Expenditures in Excess of Appropriations

During the fiscal year ended August 31, 2021, the Center did not have any expenditures in excess of appropriations in the general fund.

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
Center's Proportion of the Net Pension Liability (Asset)	0.062262554%	0.064704772%	0.065385587%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 33,346,554	\$ 33,635,563	\$ 35,989,814
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,960,893	4,517,068	4,972,929
Total	<u>\$ 38,307,447</u>	<u>\$ 38,152,631</u>	<u>\$ 40,962,743</u>
Center's Covered Payroll	\$ 32,810,777	\$ 30,907,749	\$ 30,100,673
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	101.63%	108.83%	119.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

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

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

FY 2018 Plan Year 2017		FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.067186915%		0.064163064%		0.0692264%		0.0516847%	
\$	21,482,756	\$	24,246,268	\$	24,470,611	\$	13,805,698
3,279,407		3,684,062		3,463,102		2,638,981	
\$	24,762,163	\$	27,930,330	\$	27,933,713	\$	16,444,679
\$	30,398,724	\$	27,991,415	\$	27,942,837	\$	22,863,143
70.67%		86.62%		87.57%		60.38%	
82.17%		78.00%		78.43%		83.25%	

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 2,759,454	\$ 2,566,783	\$ 2,264,576
Contribution in Relation to the Contractually Required Contribution	2,759,454	2,566,783	2,264,576
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 34,581,113	\$ 32,810,777	\$ 30,907,749
Contributions as a Percentage of Covered Payroll	7.98%	7.82%	7.33%

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

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

2018		2017		2016		2015	
\$	2,202,582	\$	2,201,995	\$	2,038,833	\$	2,049,733
	2,202,582		2,201,995		2,038,833		2,049,733
\$	-	\$	-	\$	-	\$	-
\$	30,100,673	\$	30,398,724	\$	27,991,415	\$	27,942,837
	7.32%		7.24%		7.28%		7.34%

REGION 19 EDUCATION CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR PENSIONS

FOR THE YEAR AUGUST 31, 2021

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Center's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.077883761%	0.079774482%	0.079874372%	0.082332772%
Center's Proportionate Share of Net OPEB Liability (Asset)	\$ 29,607,135	\$ 37,726,332	\$ 39,882,005	\$ 35,803,434
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	39,784,892	50,129,854	4,163,851	4,122,791
Total	<u>\$ 69,392,027</u>	<u>\$ 87,856,186</u>	<u>\$ 44,045,856</u>	<u>\$ 39,926,225</u>
Center's Covered Payroll	\$ 32,810,777	\$ 30,907,749	\$ 30,100,673	\$ 30,398,724
Center's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	90.24%	122.06%	132.50%	117.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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

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

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 626,836	\$ 590,666	\$ 566,134	\$ 551,080
Contribution in Relation to the Contractually Required Contribution	626,836	590,666	566,134	551,080
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 28,680,812	\$ 32,810,777	\$ 30,907,749	\$ 26,276,743
Contributions as a Percentage of Covered Payroll	2.19%	1.80%	1.83%	2.10%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District'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 19 EDUCATION CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR OPEB

FOR THE YEAR ENDED AUGUST 31, 2021

Changes of Benefit Terms Since the Prior Measurement Period

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

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.
- The primary reasons for this year's liability reduction related to the difference between expected and actual experience were due to (a) savings to the fully-insured Medicare Advantage premiums, which resulted from Congress' repeal of the Health Insurer Fees in December 2019 and vendor premium guarantees, and (b) favorable claims and rebate experience for the prescription drug benefits provided to Medicare retirees.

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SUPPLEMENTARY INFORMATION

REGION 19 EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		206	211	212	225
		ESEA	ESEA I, A	ESEA Title I	IDEA - Part B
		Title X, Pt.C	Improving	Part C	Preschool
		Homeless	Basic Program	Migrant	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	10,920	212,835	24,601	59,214
1260	Due from Other Funds	-	-	-	-
1410	Prepayments	-	1,476	966	-
1000	Total Assets	<u>\$ 10,920</u>	<u>\$ 214,311</u>	<u>\$ 25,567</u>	<u>\$ 59,214</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 18	\$ 75	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	10,920	214,293	25,492	59,214
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2000	Total Liabilities	<u>10,920</u>	<u>214,311</u>	<u>25,567</u>	<u>59,214</u>
FUND BALANCES					
Restricted Fund Balance:					
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,920</u>	<u>\$ 214,311</u>	<u>\$ 25,567</u>	<u>\$ 59,214</u>

226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER-School Emergency Relief	272 Medicaid Admin. Claim MAC	274 GEAR UP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
338,558	76,306	20,232	7,451	226,226	11,493	77,899	34,830
-	-	-	-	-	-	-	-
2,477	634	-	1,866	-	-	-	888
<u>\$ 341,035</u>	<u>\$ 76,940</u>	<u>\$ 20,232</u>	<u>\$ 9,317</u>	<u>\$ 226,226</u>	<u>\$ 11,493</u>	<u>\$ 77,899</u>	<u>\$ 35,718</u>
\$ 8,829	\$ 635	\$ 8,851	\$ -	\$ 3,612	\$ -	\$ -	\$ 9,878
3,164	-	-	-	-	-	-	-
329,042	76,305	11,381	9,317	222,614	11,493	77,899	25,840
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>341,035</u>	<u>76,940</u>	<u>20,232</u>	<u>9,317</u>	<u>226,226</u>	<u>11,493</u>	<u>77,899</u>	<u>35,718</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 341,035</u>	<u>\$ 76,940</u>	<u>\$ 20,232</u>	<u>\$ 9,317</u>	<u>\$ 226,226</u>	<u>\$ 11,493</u>	<u>\$ 77,899</u>	<u>\$ 35,718</u>

REGION 19 EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		276	288	289	295
		Title I - SIP Academy Grant	Early Childhood Intervention	Other Federal Special Revenue Funds	SSA - Texas Education for Homeless
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	44,125	637,803	610,345	5,781
1260	Due from Other Funds	-	-	3,046	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 44,125</u>	<u>\$ 637,803</u>	<u>\$ 613,391</u>	<u>\$ 5,781</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 3,412	\$ 76,843	\$ 124
2160	Accrued Wages Payable	-	1,583	8,498	-
2170	Due to Other Funds	44,125	632,808	528,050	5,657
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2000	Total Liabilities	<u>44,125</u>	<u>637,803</u>	<u>613,391</u>	<u>5,781</u>
FUND BALANCES					
Restricted Fund Balance:					
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 44,125</u>	<u>\$ 637,803</u>	<u>\$ 613,391</u>	<u>\$ 5,781</u>

301 SSA ESEA I, C Migrant	331 SSA - Career & Technical - Basic Grant	338 SSA - Career & Technical - Work Force	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	403 ESC Certification Program	405 ESC Gifted and Talented	406 ESC Teacher Recruitment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23,543	34,912	-	27,397	7,360	-	1,534	-
-	-	-	-	-	56,189	-	10,250
-	-	-	-	-	-	-	-
<u>\$ 23,543</u>	<u>\$ 34,912</u>	<u>\$ -</u>	<u>\$ 27,397</u>	<u>\$ 7,360</u>	<u>\$ 56,189</u>	<u>\$ 1,534</u>	<u>\$ 10,250</u>
\$ 9,822	\$ 6,483	\$ -	\$ -	\$ 1,200	\$ -	\$ 319	\$ -
-	-	-	-	-	-	-	-
13,721	28,429	-	27,397	6,160	-	1,215	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>23,543</u>	<u>34,912</u>	<u>-</u>	<u>27,397</u>	<u>7,360</u>	<u>-</u>	<u>1,534</u>	<u>-</u>
-	-	-	-	-	56,189	-	10,250
-	-	-	-	-	56,189	-	10,250
<u>\$ 23,543</u>	<u>\$ 34,912</u>	<u>\$ -</u>	<u>\$ 27,397</u>	<u>\$ 7,360</u>	<u>\$ 56,189</u>	<u>\$ 1,534</u>	<u>\$ 10,250</u>

REGION 19 EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		410	414	429	480
		State	Texas Reading	Other State	Wells Fargo
		Instructional	Math Science	Special	Scholarship
		Materials	Initiative	Revenue Funds	Fund
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	23,981	-	20,253	-
1260	Due from Other Funds	-	-	-	200
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 23,981</u>	<u>\$ -</u>	<u>\$ 20,253</u>	<u>\$ 200</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 2,300	\$ 200
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	23,981	-	17,953	-
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2000	Total Liabilities	<u>23,981</u>	<u>-</u>	<u>20,253</u>	<u>200</u>
FUND BALANCES					
Restricted Fund Balance:					
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 23,981</u>	<u>\$ -</u>	<u>\$ 20,253</u>	<u>\$ 200</u>

486 Head Start Scholarship Fund	487 Migrant Trust Fund	488 Far West TX School Board Association	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 33,931	\$ -	\$ -	\$ -	\$ 33,931
-	-	-	46,511	2,584,110
-	3,158	67,895	-	140,738
-	-	-	-	8,307
<u>\$ 33,931</u>	<u>\$ 3,158</u>	<u>\$ 67,895</u>	<u>\$ 46,511</u>	<u>\$ 2,767,086</u>
\$ -	\$ -	\$ -	\$ 1,189	\$ 133,790
-	-	-	-	13,245
-	-	-	45,322	2,448,628
33,931	-	67,895	-	101,826
-	3,158	-	-	3,158
<u>33,931</u>	<u>3,158</u>	<u>67,895</u>	<u>46,511</u>	<u>2,700,647</u>
-	-	-	-	66,439
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,439</u>
<u>\$ 33,931</u>	<u>\$ 3,158</u>	<u>\$ 67,895</u>	<u>\$ 46,511</u>	<u>\$ 2,767,086</u>

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	33,788	501,025	226,323	211,240
5020 Total Revenues	33,788	501,025	226,323	211,240
EXPENDITURES:				
Current:				
0011 Instruction	-	-	4,820	-
0013 Curriculum and Instructional Staff Development	-	348,417	-	204,385
0021 Instructional Leadership	32,535	-	107,386	-
0031 Guidance, Counseling, and Evaluation Services	-	-	100,347	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	76	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	13,694	6,855
0053 Data Processing Services	-	-	-	-
0061 Community Services	1,253	-	-	-
0062 School District Administrative Support (ESC Only	-	152,608	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	33,788	501,025	226,323	211,240
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER-School Emergency Relief	272 Medicaid Admin. Claim MAC	274 GEAR UP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,696,329	265,697	67,447	30,089	362,722	38,689	346,322	234,869
1,696,329	265,697	67,447	30,089	362,722	38,689	346,322	234,869
37,657	-	-	-	-	-	346,322	-
1,359,590	-	61,854	12,534	348,861	38,689	-	174,554
209,145	-	-	-	-	-	-	-
7,228	-	5,238	-	-	-	-	39,038
-	-	-	-	-	-	-	-
2,780	-	-	-	-	-	-	-
-	247,009	-	-	-	-	-	-
10,020	-	-	-	-	-	-	2,140
-	-	-	-	13,861	-	-	-
63,829	18,688	355	-	-	-	-	13,727
-	-	-	-	-	-	-	5,320
6,080	-	-	-	-	-	-	90
-	-	-	17,555	-	-	-	-
-	-	-	-	-	-	-	-
1,696,329	265,697	67,447	30,089	362,722	38,689	346,322	234,869
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	276 Title I - SIP Academy Grant	288 Early Childhood Intervention	289 Other Federal Special Revenue Funds	295 SSA - Texas Education for Homeless
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 4,016,727	\$ -	\$ -
5800 State Program Revenues	-	721,971	-	-
5900 Federal Program Revenues	182,531	1,335,725	1,219,830	37,769
5020 Total Revenues	182,531	6,074,423	1,219,830	37,769
EXPENDITURES:				
Current:				
0011 Instruction	-	2,764,366	-	-
0013 Curriculum and Instructional Staff Development	182,531	-	202,356	-
0021 Instructional Leadership	-	879,247	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0032 Social Work Services	-	2,260,349	-	22,164
0033 Health Services	-	-	-	-
0035 Food Services	-	-	1,017,474	-
0036 Extracurricular Activities	-	-	-	11,910
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	93,314	-	2,220
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	77,147	-	1,475
0062 School District Administrative Support (ESC Only)	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	182,531	6,074,423	1,219,830	37,769
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

301 SSA ESEA I, C Migrant	331 SSA - Career & Technical - Basic Grant	338 SSA - Career & Technical - Work Force	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	403 ESC Certification Program	405 ESC Gifted and Talented	406 ESC Teacher Recruitment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	194,757	23,448	-	10,294	-
159,539	34,066	365,229	-	-	-	-	-
159,539	34,066	365,229	194,757	23,448	-	10,294	-
69,043	-	-	3,667	-	-	-	-
-	-	-	108,899	-	-	10,294	-
27,316	-	-	-	-	-	-	-
13,106	34,066	365,229	77,419	-	-	-	-
18,529	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,418	-	-	4,772	-	-	-	-
-	-	-	-	-	-	-	-
490	-	-	-	23,448	-	-	-
-	-	-	-	-	-	-	-
26,637	-	-	-	-	-	-	-
159,539	34,066	365,229	194,757	23,448	-	10,294	-
-	-	-	-	-	-	-	-
-	-	-	-	-	56,189	-	10,250
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,189	\$ -	\$ 10,250

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	410 State Instructional Materials	414 Texas Reading Math Science Initiative	429 Other State Special Revenue Funds	480 Wells Fargo Scholarship Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 16,200	\$ 7,000
5800 State Program Revenues	23,361	6,213	67,977	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	23,361	6,213	84,177	7,000
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	-
0013 Curriculum and Instructional Staff Development	23,361	6,213	51,084	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	23,458	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	7,000
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	9,635	-
0061 Community Services	-	-	-	-
0062 School District Administrative Support (ESC Only)	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	23,361	6,213	84,177	7,000
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

486 Head Start Scholarship Fund	487 Migrant Trust Fund	488 Far West TX School Board Association	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 316,424	\$ 4,356,351
-	-	-	-	1,048,021
-	-	-	-	7,349,229
-	-	-	316,424	12,753,601
-	-	-	-	3,225,875
-	-	-	315,240	3,448,862
-	-	-	-	1,255,629
-	-	-	-	665,129
-	-	-	-	2,301,042
-	-	-	-	2,780
-	-	-	-	1,264,483
-	-	-	-	31,146
-	-	-	-	13,861
-	-	-	1,184	223,056
-	-	-	-	14,955
-	-	-	-	109,983
-	-	-	-	170,163
-	-	-	-	26,637
-	-	-	316,424	12,753,601
-	-	-	-	-
-	-	-	-	66,439
\$ -	\$ -	\$ -	\$ -	\$ 66,439

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2021

	754 Computer Operations	770 Facilities
<hr/>		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ -
Due from Other Funds	147,417	737,475
Prepayments	-	-
Total Current Assets	<u>147,417</u>	<u>737,475</u>
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	-	5,344
Depreciation on Buildings	-	(3,436)
Furniture and Equipment	-	52,552
Depreciation on Furniture and Equipment	-	(45,382)
Vehicles	-	29,279
Depreciation on Vehicles	-	(19,113)
Construction in Progress	-	269,804
Total Noncurrent Assets	<u>-</u>	<u>289,048</u>
Total Assets	<u>147,417</u>	<u>1,026,523</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	265
Due to Other Funds	-	-
Total Liabilities	<u>-</u>	<u>265</u>
NET POSITION		
Net Investment in Capital Assets	-	289,048
Unrestricted Net Position	147,417	737,210
Total Net Position	<u>\$ 147,417</u>	<u>\$ 1,026,258</u>

773 Common Area Service	780 Workers' Compensation	782 Unemployment Compensation	Total Internal Service Funds
\$ -	\$ 615,547	\$ 962,764	\$ 1,578,311
281,781	-	404,747	1,571,420
-	164,223	-	164,223
<u>281,781</u>	<u>779,770</u>	<u>1,367,511</u>	<u>3,313,954</u>
-	-	-	5,344
-	-	-	(3,436)
-	-	-	52,552
-	-	-	(45,382)
-	-	-	29,279
-	-	-	(19,113)
-	-	-	269,804
<u>-</u>	<u>-</u>	<u>-</u>	<u>289,048</u>
<u>281,781</u>	<u>779,770</u>	<u>1,367,511</u>	<u>3,603,002</u>
-	41,906	7,040	49,211
-	440,559	-	440,559
<u>-</u>	<u>482,465</u>	<u>7,040</u>	<u>489,770</u>
-	-	-	289,048
281,781	297,305	1,360,471	2,824,184
<u>\$ 281,781</u>	<u>\$ 297,305</u>	<u>\$ 1,360,471</u>	<u>\$ 3,113,232</u>

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	754 Computer Operations	770 Facilities
<hr/>		
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 270,391	\$ 802,158
Total Operating Revenues	<u>270,391</u>	<u>802,158</u>
OPERATING EXPENSES:		
Payroll Costs	114,081	278,107
Professional and Contracted Services	97,488	320,781
Supplies and Materials	21,834	26,773
Other Operating Costs	350	31,683
Depreciation Expense	<u>-</u>	<u>6,570</u>
Total Operating Expenses	<u>233,753</u>	<u>663,914</u>
Operating Income	<u>36,638</u>	<u>138,244</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>
Change in Net Position	36,638	138,244
Total Net Position - September 1 (Beginning)	<u>110,779</u>	<u>888,014</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 147,417</u></u>	<u><u>\$ 1,026,258</u></u>

773 Common Area Service	780 Workers' Compensation	782 Unemployment Compensation	Total Internal Service Funds
\$ 261,773	\$ 472,163	\$ 203,717	\$ 2,010,202
261,773	472,163	203,717	2,010,202
196,634	-	-	588,822
44,831	-	-	463,100
574	-	-	49,181
745	429,947	32,381	495,106
-	-	-	6,570
242,784	429,947	32,381	1,602,779
18,989	42,216	171,336	407,423
-	480	865	1,345
-	480	865	1,345
18,989	42,696	172,201	408,768
262,792	254,609	1,188,270	2,704,464
\$ 281,781	\$ 297,305	\$ 1,360,471	\$ 3,113,232

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	754 Computer Operations	770 Facilities
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Assessments - Other Funds	\$ 233,753	\$ 424,032
Cash Payments to Employees for Services	(114,081)	(278,107)
Cash Payments for Suppliers	(119,322)	(114,242)
Cash Payments for Other Operating Expenses	(350)	(31,683)
Net Cash Provided by Operating Activities	-	-
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	-	-
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	\$ -	\$ -
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided By Operating Activities:</u>		
Operating Income:	\$ 36,638	\$ 138,244
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	-	6,570
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	(36,638)	(378,330)
Decrease (increase) in Receivables	-	204
Decrease (increase) in Prepaid Expenses	-	233,047
Increase (decrease) in Accounts Payable	-	265
Increase (decrease) in Due to Other Funds	-	-
Net Cash Provided by Operating Activities	\$ -	\$ -

773 Common Area Service	780 Workers' Compensation	782 Unemployment Compensation	Total Internal Service Funds
\$ 242,784	\$ 472,163	\$ 39,788	\$ 1,412,520
(196,634)	-	-	(588,822)
(45,405)	-	-	(278,969)
(745)	(472,163)	(39,788)	(544,729)
-	-	-	-
-	480	865	1,345
-	480	865	1,345
-	615,067	961,899	1,576,966
\$ -	\$ 615,547	\$ 962,764	\$ 1,578,311
\$ 18,989	\$ 42,216	\$ 171,336	\$ 407,423
-	-	-	6,570
(18,989)	-	(163,929)	(597,886)
-	-	-	204
-	(9,006)	-	224,041
-	13,681	(7,407)	6,539
-	(46,891)	-	(46,891)
\$ -	\$ -	\$ -	\$ -

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 AUGUST 31, 2021

	747 Cyber Cafe	749 School Zone / Print Shop	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Due from Other Funds	\$ -	\$ 893,720	\$ 893,720
Other Receivables	-	6,007	6,007
Inventories	-	45,932	45,932
Total Current Assets	<u>-</u>	<u>945,659</u>	<u>945,659</u>
Noncurrent Assets:			
Capital Assets:			
Furniture and Equipment	-	12,100	12,100
Depreciation on Furniture and Equipment	-	(12,100)	(12,100)
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>-</u>	<u>945,659</u>	<u>945,659</u>
LIABILITIES			
Current Liabilities:			
Due to Other Funds	<u>22,605</u>	<u>-</u>	<u>22,605</u>
Total Liabilities	<u>22,605</u>	<u>-</u>	<u>22,605</u>
NET POSITION			
Unrestricted Net Position	<u>(22,605)</u>	<u>945,659</u>	<u>923,054</u>
Total Net Position	<u>\$ (22,605)</u>	<u>\$ 945,659</u>	<u>\$ 923,054</u>

REGION 19 EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

	747 Cyber Cafe	749 School Zone / Print Shop	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ -	\$ 674,010	\$ 674,010
Total Operating Revenues	<u>-</u>	<u>674,010</u>	<u>674,010</u>
OPERATING EXPENSES:			
Payroll Costs	-	142,231	142,231
Professional and Contracted Services	-	124,195	124,195
Supplies and Materials	-	398,980	398,980
Other Operating Costs	-	19,449	19,449
Total Operating Expenses	<u>-</u>	<u>684,855</u>	<u>684,855</u>
Income (Loss) Before Transfers	-	(10,845)	(10,845)
Transfer In	<u>-</u>	<u>10,845</u>	<u>10,845</u>
Change in Net Position	-	-	-
Total Net Position - September 1 (Beginning)	<u>(22,605)</u>	<u>945,659</u>	<u>923,054</u>
Total Net Position - August 31 (Ending)	<u><u>\$ (22,605)</u></u>	<u><u>\$ 945,659</u></u>	<u><u>\$ 923,054</u></u>

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	747 Cyber Cafe	749 School Zone / Print Shop	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ -	\$ 686,564	\$ 686,564
Cash Payments to Employees for Services	-	(142,231)	(142,231)
Cash Payments for Suppliers	-	(535,729)	(535,729)
Cash Payments for Other Operating Expenses	-	(19,449)	(19,449)
Net Cash Used For Operating Activities	-	(10,845)	(10,845)
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer In (Out)	-	10,845	10,845
Net Increase in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of Year	-	-	-
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ -
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Used for Operating Activities:</u>			
Operating Income (Loss):	\$ -	\$ (10,845)	\$ (10,845)
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Due from Other Funds	-	18,151	18,151
Decrease (increase) in Receivables	-	(5,597)	(5,597)
Decrease (increase) in Inventories	-	(12,554)	(12,554)
Increase (decrease) in Accrued Wages Payable	71	-	71
Increase (decrease) in Due to Other Funds	(71)	-	(71)
Net Cash Used for Operating Activities	\$ -	\$ (10,845)	\$ (10,845)

FEDERAL AND STATE AWARD SECTION

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INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Region 19 Education Service Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Region 19 Education Service Center, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise Region 19 Education Service Center's basic financial statements, and have issued our report thereon December 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region 19 Education Service Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region 19 Education Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Region 19 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region 19 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Gibson Ruddock Patterson, LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson, LLC

El Paso, Texas

December 15, 2021

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

To the Board of Directors
Region 19 Education Service Center

Report on Compliance for Each Major Federal and State Program

We have audited Region 19 Education Service Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grant Management Standards that could have a direct and material effect on each of Region 19 Education Service Center's major federal and state programs for the year ended August 31, 2021. Region 19 Education Service Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Region 19 Education Service Center's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Uniform Grant Management Standards. Those standards, the Uniform Guidance and the State of Texas Uniform Grant Management Standards, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Region 19 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 and state program. However, our audit does not provide a legal determination of Region 19 Education Service Center's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Region 19 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 and state programs for the year ended August 31, 2021.

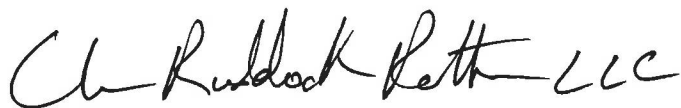
Report on Internal Control Over Compliance

Management of Region 19 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 19 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 or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Uniform Grant Management Standards, 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 19 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink, appearing to read "Gibson Ruddock Patterson, LLC".

Gibson Ruddock Patterson, LLC
El Paso, Texas
December 15, 2021

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed? None reported

Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards? No

Federal and State Awards

Internal control over major federal and state award programs:

Were significant deficiencies in internal control over major programs disclosed? Federal - None reported
State - None reported

Were material weaknesses in internal control over major programs disclosed? Federal - No
State - No

Type of auditor's report issued on compliance for the major federal and state programs: Unmodified

Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a) or the State of Texas UGMS? Federal Programs - No
State Programs - No

Major Federal Programs:

Head Start:
Assistance Listing No. 93.600

Special Education - Grants for Infants & Families:
Assistance Listing No. 84.181

Major State Program:

Texas Health and Human Services
Commission - Early Childhood
Intervention

Dollar threshold used to distinguish between type A and type B programs: Federal - \$1,793,347
State - \$300,000

Did auditee qualified as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee and the State of Texas UGMS? Federal - Yes
State - No

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

REGION 19 EDUCATION SERVICE CENTER

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2021

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AWARD FINDING AND QUESTIONED COSTS

There were no prior year findings.

STATE AWARD FINDING AND QUESTIONED COSTS

There were no prior year findings.

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Health and Human Services Commission</u>			
* Special Education - Grants to States	84.027	HHS000640200033	\$ 131,512
Special Education - Grants for Infants & Families	84.181	HHS000640200033	902,968
Total Passed Through Texas Health and Human Services Commission			1,034,480
<u>Passed Through State Department of Education</u>			
ESEA, Title I - School Improvement Facilitation	84.010A	196101547110019	343
ESEA, Title I - School Improvement Facilitation	84.010A	206101547110019	79,419
ESEA, Title I - Comprehensive School Support	84.010A	206101537110019	33,773
ESEA, Title I - Comprehensive School Support	84.010A	216101537110019	204,379
ESEA, Title I - Basic Services Initiative	84.010A	216101197110019	51,774
ESEA, Title I - Instructional Leadership Expansion	84.010A	206101507110019	154,566
ESEA, Title I - Instructional Leadership Expansion	84.010A	216101457110019	8,418
ESEA, Title I - Comprehensive School Support	84.010A	196101407110019	2,093
Total Assistance Listing Number 84.010A			534,765
ESEA, Title I, Part C - Migratory Children	84.011A	216150027110019	241,780
SSA - ESEA, Title I Part C - Migratory Children	84.011A	20615001071950	57,949
SSA - ESEA, Title I Part C - Migratory Children	84.011A	21615001071950	110,658
Total Assistance Listing Number 84.011A			410,387
* ESC IDEA B - Special FIEP and Charter Support	84.027A	216600547110019	13,000
* ESC IDEA B - Sensory Impairments	84.027A	216600227110019	58,920
* ESC IDEA B - Access to General Curriculum	84.027A	216600587110019	202,887
* ESC IDEA B - Positive Behavioral Interventions	84.027A	216600597110019	70,124
* ESC IDEA B - ESC Liaison Grant	84.027A	216600657110019	248,531
* ESC IDEA B - Charter School Support	84.027A	216600577110019	12,665
* ESC IDEA B - Leadership	84.027A	206600567110019	12,368
* ESC IDEA B - Leadership	84.027A	216600567110019	1,190,514
Total Assistance Listing Number 84.027A			1,809,009
* ESC IDEA B - Preschool	84.173A	216610227110019	225,547
Total Special Education Cluster (IDEA)			2,166,068
Career and Technical - Basic Grant - Admin/PBM	84.048A	204200107110019	89
Career and Technical - Basic Grant - Admin.	84.048A	214200107110019	37,468
Career and Technical- Basic Grant- Perkins Reserve	84.048A	204200287110074	546
Career and Technical- TX Ecosystem Design	84.048A	194200637110019	3,832
Career and Technical- TX Ecosystem Design	84.048A	214200637110019	24,754
Career and Technical - Basic Grant - Leadership	84.048A	204200097110019	49
Career and Technical - Basic Grant - Leadership	84.048A	214200097110019	4,807
SSA - Career and Technical - Basic Grant	84.048A	21420006071950	35,546
SSA - Career and Technical - Quality Work Force	84.048A	204200287110073	388,069
Total Assistance Listing Number 84.048A			495,160
ESEA, Title X, Part C- ESC Capacity Building Grant	84.196A	204600087110019	36,076
ESEA, Title X, Part C - Homeless Children	84.196A	214600057110058	37,769

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total Assistance Listing Number 84.196A			73,845
GEAR UP	84.334S	195111017110004	68,745
GEAR UP	84.334S	205111017110004	182,159
Total Assistance Listing Number 84.334S			250,904
Title III, Part A - Basic Services Grant	84.365A	216710027110019	32,354
Title III, Part A - Bilingual Certification Prep.	84.365A	216710097110001	183,096
Title III, Part A - Enhancing Program Implement.	84.365A	216710157110019	3,996
Title III, Part A - Bilingual Ed. Supplemental	84.365A	206710177110001	165,431
Total Assistance Listing Number 84.365A			384,877
ESEA, Title II, Part A - ESC Basic Services	84.367A	206945747110019	10,955
ESEA, Title II, Part A - Instructional Leadership	84.367A	206945747110019	18,752
ESEA, Title II, Part A - ESC Equity Plan Support	84.367A	216945647110019	2,425
Total Assistance Listing Number 84.367A			32,132
ESC Instructional Continuity	84.377A	176107417110019	43,036
Reading Academics - Authorized Providers	84.377A	166107387110019	148,622
Total Assistance Listing Number 84.377A			191,658
Title IV, Part A - Basic Services	84.424A	216801057110019	116,402
Title IV, Part A - ESC Mental Behavioral Health	84.424A	196801107110019	52,840
Title IV, Part A - ESC Mental Behavioral Health	84.424A	216801107110019	24,524
Total Assistance Listing Number 84.424A			193,766
COVID-19 - ESSER - Technical Assistance	84.425D	20521011071950	21,842
COVID-19 - ESSER - THL ESC Plan & Implement	84.425D	205210177110019	19,457
Total Assistance Listing Number 84.425			41,299
ESEA, Title I - Basic Services Initiative	84.999	216000117110019	10,277
Total Passed Through State Department of Education			4,653,626
TOTAL U.S. DEPARTMENT OF EDUCATION			5,688,106
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start and Early Head Start	93.600	06CH011070-02-01	1,649,050
Head Start and Early Head Start	93.600	06CH011070-01	696,485
Head Start and Early Head Start	93.600	06CH011070-02	36,656,690
Head Start and Early Head Start	93.600	06CH011070-03	6,075,078
Head Start and Early Head Start	93.600	06CH011070-05	6,861,293
COVID-19 - Head Start and Early Head Start	93.600	06HE000798-01	21,676
Total Assistance Listing Number 93.600			51,960,272
Total Direct Programs			51,960,272
<u>Passed Through Texas Health and Human Services Commission</u>			
Temporary Assistance for Needy Families	93.558	HHS000640200033	391,650

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Medicaid Administrative Claiming Program - MAC	93.778	529-11-0040-00027	369,784
Total Passed Through Texas Health and Human Services Commission			761,434
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			52,721,706
 U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
Education Service Center Child Nutrition	10.560	806780706	18,435
Education Service Center Child Nutrition	10.560	806780706	155,377
Total Assistance Listing Number 10.560			173,812
Child & Adult Care Food Program	10.558	806780706	28,929
Child & Adult Care Food Program	10.558	806780706	696,707
COVID-19 - USDA Emergency Operational Costs	10.558	806780706	358,998
Total Assistance Listing Number 10.558			1,084,634
Summer Food Service Program	10.559	806780706	109,970
Total Passed Through the State Department of Agriculture			1,368,416
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,368,416
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ 59,778,228

*Clustered Programs

REGION 19 EDUCATION SERVICE CENTER

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

State Grantor/ Pass-Through Grantor/ Program Title	Contract #	State Expenditures
Texas Health and Human Services Commission		
Early Childhood Intervention (ECI)	HHS000640200033	\$ 756,602
Respite	HHS000640200033	<u>14,049</u>
Total Texas Health and Human Services Commission		<u>770,651</u>
Total Expenditures of State Awards		<u><u>\$ 770,651</u></u>

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2021

1. GENERAL

For all federal programs, the Center uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Special Revenue Funds are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. If balances have not been expended by the end of the project period, grantors sometimes require the Center to refund all or part of the unused amount.

The accompanying schedule of expenditures of federal and state awards (the "schedules") include the federal and state award activity of the Center under programs of the federal and state government for the year ended August 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Texas Uniform Grant Management Standards. Because the schedules present only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Center.

2. BASIS OF ACCOUNTING

Accounting and Financial Reporting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal and state grant funds are accounted for either in the General Fund or a Special Revenue Fund which are governmental fund types. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. 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 general 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 and state grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When grant funds are received before expenditures are made, they are recorded as unearned revenues until earned. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State of Texas Uniform Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2021

2. BASIS OF ACCOUNTING (Continued)

Period of Performance

The period of performance for federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - July 2021 and the Texas Uniform Grant Management Standards.

3. INDIRECT COST RATE

The Center did not elect to use the 10% de minimus indirect cost rate, but used the indirect cost rate assigned by the Texas Education Agency.

The Center accounted for federally funded indirect costs in the General Fund as follows:

Program Title	Assistance Listing Number	Amount
Early Childhood Intervention	various	\$ 90,405
ESEA I, A Improving Basic Programs	84.010A	33,740
ESEA Title I, Part C - Migrant	84.011A	15,457
SSA ESEA I, - C Migrant	84.011A	9,068
IDEA, Part B - Discretionary	84.027A	112,680
IDEA, Part B - Preschool	84.173A	14,307
ESEA Title X - Education for Homeless Children	84.196A	2,288
Career and Technical - Basic Grant	84.048A	4,098
SSA Career and Technical - Basic Grant	84.048A	1,480
Career and Technical - Perkins Reserve	84.048A	22,840
GEAR UP	84.334S	16,035
ESEA Title III, A - English Language Acquisition	84.365A	22,155
ESEA Title II, A - Supporting Effective Instr.	84.367A	2,043
Title IV Mental and Behavioral Health	84.424A	1,035
Title I - SIP Reading Academies	84.377A	9,127
ESSER - School Emergency Relief	84.425D	2,610
ESC NCLB/ESSA Support	84.999	652
Head Start	93.600	2,822,075
Medicaid Admin. Claim - MAC	93.778	23,462
Child and Adult Care Food Program	10.558	67,160
ESC Child Nutrition	10.560	18,085
Total General Fund federal revenue per Exhibit C-3		<u>\$ 3,290,802</u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED AUGUST 31, 2021

4. MATCHING

The Center reported \$6,819,294 in-kind matching to the U.S. Department of Health and Human Services for the Head Start program, grant year 2021 (July 1, 2020 to June 30, 2021). Additionally, the Center reported \$37,468 matching funds for the Career and Technical Administration Grant and \$166,826 in matching funds for the Texas GEAR UP Grant for Districts.

5. PROGRAM INCOME

The Head Start program generated program income in the amount of \$59,390 for the year ended August 31, 2021.

The Early Childhood Intervention program is funded with federal funds under Assistance Listing Numbers 84.027, 84.181, and 93.558 and with state funds. It also reported \$4,016,727 of Locally Collected Funds.

6. RECONCILIATION

Total state revenue presented in the Schedule of Expenditures of State Awards (SESA) can be reconciled to exhibit C-3 as follows:

Expenditures of State Awards per SESA	770,651
TEA funding not subject to State Single Audit	<u>2,607,493</u>
Total State revenue per Exhibit C-3	<u><u>\$ 3,378,144</u></u>