

REGION 19 EDUCATION SERVICE CENTER
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED AUGUST 31, 2020

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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, 2020, at a meeting of the Board of Directors of such Education Service Center on the 17th day of December, 2020.

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

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 81 through 91 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 awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, 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 11, 2020

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, 2020. 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

-  Education Service Center - Region 19's total net position increased by \$767,267. This amount is comprised of \$8,923,932 increase in the Education Service Center's investment in capital assets net of related debt, and a decrease in unrestricted net position of - \$8,156,665.
-  As of August 31, 2020, the close of the most current fiscal year Education Service Center - Region 19's governmental funds reported an ending fund balance of \$23,567,142, an increase of \$6,762,180 over the prior year. About \$1.4 million of this amount (unassigned fund balance) is available for spending at the discretion of Education Service Center - Region 19 and \$19.1 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 \$1.4 million, or about 16% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 34 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 31 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 39) 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 (-\$16,786,070) 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 (\$50,495,676) at August 31, 2020. This compares to net position of (-\$24,056,671) and unrestricted net position of (-\$48,927,832) as of August 31, 2019. Region 19 ESC's net position is comprised of \$33.6 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 (-\$50.5 million) reflects the adjustment related to the TRS OPEB and Pension postemployment benefits.

The net position of our business-type activities totaled \$2,307,359, of which \$85,487 is invested in capital assets and \$2,221,872 is unrestricted as to its use. This compares to net position of \$8,810,693 of which all is unrestricted as of August 31, 2019. The Education Service Center - Region 19's net position increased by approximately \$767,267. This amount is comprised of an increase of \$8,923,933 in capital assets, net of accumulated depreciation, primarily attributed to a combination of net acquisitions (\$10.6 million), less current year depreciation (\$1.62 million), and a decrease of (-\$8,156,665) in unrestricted net position. There was a decrease in the net position of the ESC's Business-type Activities in the amount of approximately (-\$6.5 million), due to an operating transfer out to the capital projects fund for the construction of a new Conference Center and Parking Garage.

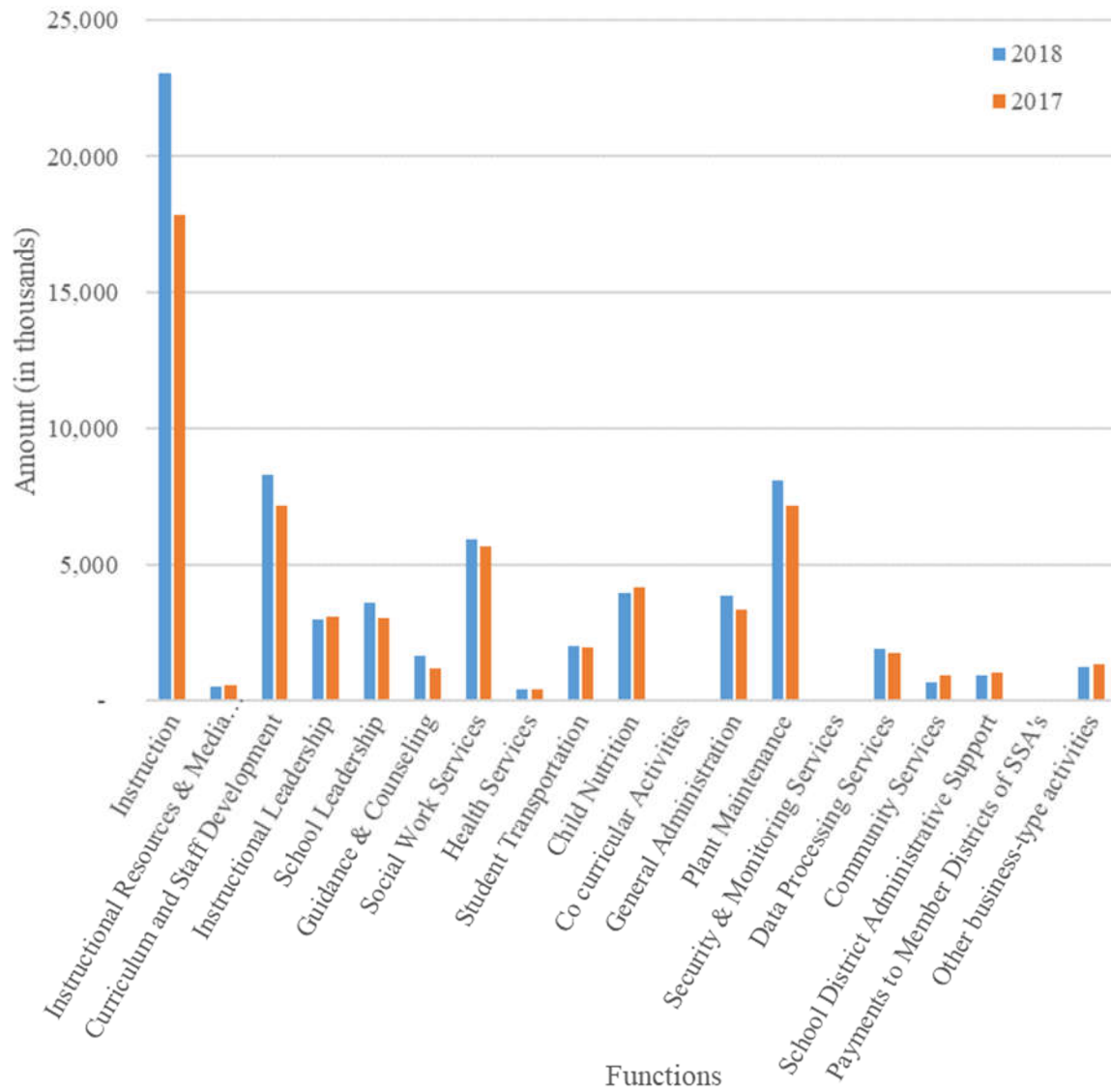
Table I
Education Service Center – Region 19
NET POSITION
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 31,822	\$ 24,559	\$ 2,223	\$ 8,811	\$ 34,045	\$ 33,370
Capital Assets	33,643	24,805	85	-	33,728	24,805
Total Assets	65,465	49,364	2,308	8,811	67,773	58,175
Deferred Outflows Related to TRS	19,896	21,528	-	-	19,896	21,528
Long-term Liabilities	72,218	75,965	-	-	72,218	75,965
Other Liabilities	5,845	1,990	-	-	5,845	1,990
Total Liabilities	78,063	77,955	-	-	78,063	77,955
Deferred Inflows Related to TRS	24,084	16,994	-	-	24,084	16,994
Net Position:						
Investment in Capital Assets	33,643	24,805	85	-	33,728	24,805
Restricted for:						
Restricted for Federal and State Programs	66	66	-	-	66	66
Unrestricted	(50,495)	(48,928)	2,223	8,811	(48,272)	(40,117)
Total Net Position	\$ (16,786)	\$ (24,057)	\$ 2,308	\$ 8,811	\$ (14,478)	\$ (15,246)

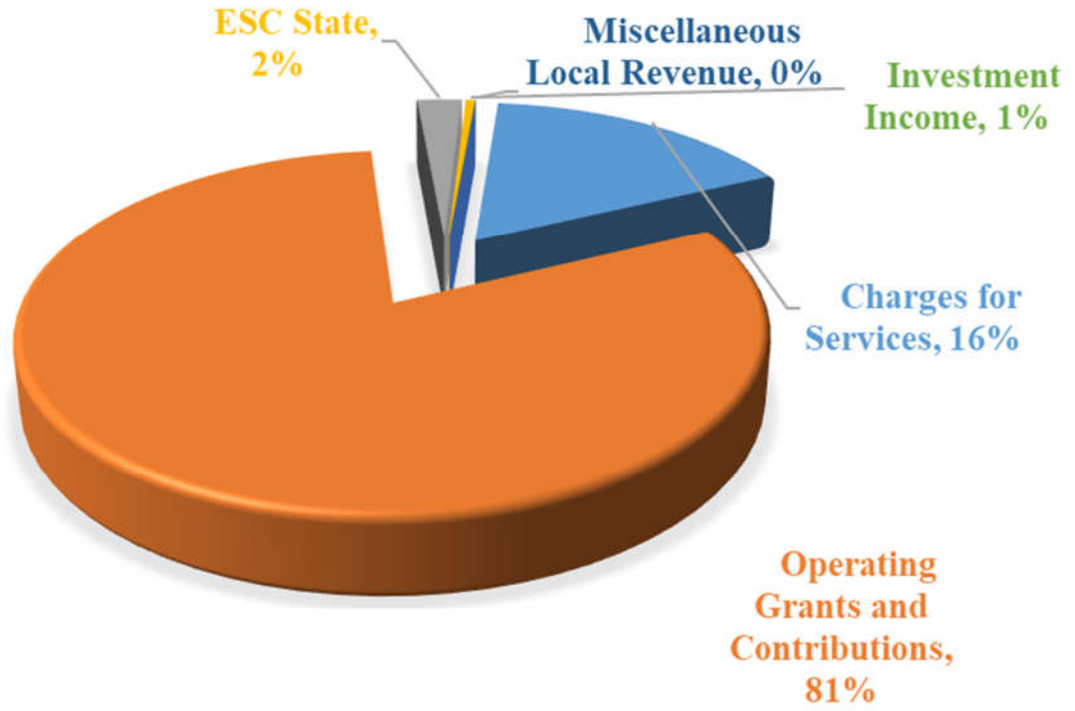
Table II
Education Service Center – Region 19
Changes in Net Position
(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues						
Charges for Services	\$ 9,210	\$ 9,364	\$ 2,323	\$ 2,514	\$ 11,533	\$ 11,878
Operating Grants and Contributions	56,543	47,149	-	-	56,543	47,149
General Revenues						
ESC State	1,639	1,634	-	-	1,639	1,634
Investment Income	333	619	-	-	333	619
Miscellaneous Local Revenue	1	14	-	-	1	14
Total Revenue	67,726	58,780	2,323	2,514	70,049	61,294
Expenses:						
Instruction	23,039	17,880	-	-	23,039	17,880
Instructional Resources & Media Services	545	557	-	-	545	557
Curriculum and Staff Development	8,314	7,183	-	-	8,314	7,183
Instructional Leadership	2,968	3,066	-	-	2,968	3,066
School Leadership	3,576	3,035	-	-	3,576	3,035
Guidance & Counseling	1,641	1,175	-	-	1,641	1,175
Social Work Services	5,946	5,718	-	-	5,946	5,718
Health Services	418	406	-	-	418	406
Student Transportation	2,029	1,967	-	-	2,029	1,967
Child Nutrition	3,972	4,179	-	-	3,972	4,179
Co curricular Activities	54	69	-	-	54	69
General Administration	3,847	3,355	-	-	3,847	3,355
Plant Maintenance	8,120	7,174	-	-	8,120	7,174
Security & Monitoring Services	16	49	-	-	16	49
Data Processing Services	1,908	1,766	-	-	1,908	1,766
Community Services	682	950	-	-	682	950
School District Administrative Support	907	1,026	-	-	907	1,026
Payments to Member Districts of SSA's	32	35	-	-	32	35
Other business-type activities	-	-	1,246	1,341	1,246	1,341
Total Expenses	68,014	59,590	1,246	1,341	69,260	60,931

Education Service Center – Region 19
Expenses by Function
2019-2020



Education Service Center – Region 19
Revenues by Category
2020



FUND FINANCIAL STATEMENT ANALYSIS

At the end of 2020, the Center's governmental funds as presented on the balance sheet shown on page 28 reported a total fund balance of \$23,567,142; an increase of \$6,762,180 from last year's total of \$16,804,962.

Table III
Education Service Center Region 19
BALANCE SHEET-GOVERNMENTAL FUNDS
(in thousands)

	2020	2019	Difference
Current Assets	\$ 36,047	\$ 34,989	\$ 1,058
Total Assets	36,047	34,989	1,058
			-
Current Liabilities	12,480	18,184	(5,704)
Total Liabilities	12,480	18,184	(5,704)
			-
Fund Balances:			-
Prepaid Items	22	23	(1)
Restricted	66	66	-
Committed	21,669	14,851	6,818
Assigned	369	543	(174)
Unassigned	1,441	1,322	119
Total Fund Balance	23,567	16,805	6,762
Total Liabilities and Fund Balance	\$ 36,047	\$ 34,989	\$ 1,058

The Center's total revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance increased from \$58.51 million in FY 2019 to \$66.3 million in FY 2020. Total local revenue decreased by \$335 thousand due primarily to a decrease in investment earning as construction payments were made and funds were liquidated. State revenues increased about \$841 thousand due to increased funding in the ECI Program and state indirect cost revenues. Federal revenues increased by \$7.3 million. The increase in federal revenues was largely due to Head Start grant funding. Local revenue in the General Fund decreased \$443 thousand due to a reduction in investment earnings and rescheduling of professional development activities due to COVID-19. The following table illustrates the changes in funding allocations to be used for planning purposes flowing through the Texas Education Agency for 2019 and 2020:

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

	2020	2019	Difference
State ESC	\$ 243,294	\$ 243,294	\$ -
State Gifted and Talented	11,000	11,000	-
Visually Impaired	202,277	215,914	(13,637)
Non-Educational Community Based Service	28,500	29,703	(1,203)
Total State Allocations	485,071	499,911	(14,840)
			-
IDEA-B Discretionary	1,758,568	1,686,410	72,158
IDEA-B, Preschool	236,791	241,253	(4,462)
Title I, Part A	57,173	20,000	37,173
Title I, Part C, Migrant	438,539	420,102	18,437
Title III ELA	41,729	32,076	9,653
ESSA	21,235	28,038	(6,803)
CTE Leadership	30,000	12,500	17,500
CTE PBM Admin Tech Asst.	-	3,062	(3,062)
CTE Admin Tech Asst.	38,165	35,103	3,062
CTE Non-Traditional	-	5,000	(5,000)
Total Federal Allocations	2,622,200	2,483,544	138,656
			-
Total Allocations	\$ 3,107,271	\$ 2,983,455	\$ 123,816

The Center's total expenditures increased from \$56.9 million in 2019 to \$71.8 million in 2020, total expenditures increased by \$14.9 million attributable to increased expenditures in the ECI, Head Start program and Capital Projects fund. Total expenditures in the General Fund decreased by \$228 thousand due to a decrease in travel and operational expenses due to staff working remotely.

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

	2020	2019	Difference
Revenues:			
Local and Intermediate	\$ 9,663	\$ 9,997	\$ (334)
State Program Revenues	3,855	3,014	841
Federal Program Revenues	52,810	45,496	7,314
Total Revenue	66,328	58,507	7,821
Expenses:			
Instruction	22,556	16,579	5,977
Instructional Resources & Media Svc	447	510	(63)
Curriculum and Staff Development	7,366	6,791	575
Instructional Leadership	2,713	2,885	(172)
School Leadership	3,204	2,814	390
Guidance & Counseling	1,528	1,109	419
Social Work Services	5,377	5,314	63
Health Services	379	379	-
Student Transportation	2,147	2,213	(66)
Child Nutrition	3,878	4,054	(176)
Co curricular Activities	54	69	(15)
General Administration	3,298	3,161	137
Plant Maintenance	7,965	7,309	656
Data Processing Services	1,627	1,556	71
Community Services	630	913	(283)
School District Adm Support	806	982	(176)
Facilities Acquisition and Construction	7,747	219	7,528
Pmts to Member Distr of SSA's	32	35	(3)
Total Expenses	71,754	56,892	14,862
Increase in net position before trfs & spec items	(5,426)	1,615	(7,041)
Other Financing Sources:			
Non-Current Loans	777	-	777
Transfers In	21,650	-	21,650
Transfers Out	(10,239)	-	(10,239)
Total Other Financing Sources	12,188	-	12,188
Net Change in Fund Balances	6,762	1,615	5,147
Fund Balance-Beginning	16,805	15,190	1,615
Fund Balance-Ending	\$ 23,567	\$ 16,805	\$ 6,762

THE CENTER'S BUDGET

On August 22, 2019, the Board of Directors adopted the 2019-2020 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 82 shows the Center's original legally adopted budget as well as its final operating budget. There is a \$14 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 2020, the Center had about \$60 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 \$10.1 million over last year's total capital assets.

This year's additions included:

Appliances	189,320
Surveillance & Audio Visual	112,737
Communication Devices	11,672
Playground Shade Improvements	178,759
Vehicles	627,577
Data Base Collection Software	94,985
Interactive Learning Devices	1,550,016
Air Conditioner Units	19,116
Construction in Progress	<u>7,792,037</u>
Total	10,576,219

Debt

As of August 31, 2020, 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 Notes J and K.

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 2020, 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 2020 will be at 6.873%. 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, 2020

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 25,053,146	\$ -	\$ 25,053,146
1120	Current Investments	1,880,622	-	1,880,622
1240	Due from Other Governments	5,850,880	-	5,850,880
1250	Accrued Interest	1,353	-	1,353
1260	Internal Balances	(1,953,123)	1,953,123	-
1290	Other Receivables, Net	552,626	235,566	788,192
1300	Inventories	-	33,378	33,378
1410	Prepayments	435,965	-	435,965
	Capital Assets:			
1510	Land	1,660,864	-	1,660,864
1520	Buildings, Net	19,454,518	-	19,454,518
1530	Furniture and Equipment, Net	3,046,438	85,487	3,131,925
1540	Other Capital Assets, Net	1,200,343	-	1,200,343
1580	Construction in Progress	8,281,004	-	8,281,004
1000	Total Assets	65,464,636	2,307,554	67,772,190
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflow Related to TRS Pension	15,354,952	-	15,354,952
1706	Deferred Outflow Related to TRS OPEB	4,541,056	-	4,541,056
1700	Total Deferred Outflows of Resources	19,896,008	-	19,896,008
LIABILITIES				
2110	Accounts Payable	4,908,615	-	4,908,615
2150	Payroll Deductions and Withholdings	501,293	-	501,293
2160	Accrued Wages Payable	52,602	195	52,797
2180	Due to Other Governments	96,044	-	96,044
2190	Due to Student Groups	3,158	-	3,158
2300	Unearned Revenue	283,769	-	283,769
	Noncurrent Liabilities:			
2502	Due in More Than One Year	855,780	-	855,780
2540	Net Pension Liability (District's Share)	33,635,563	-	33,635,563
2545	Net OPEB Liability (District's Share)	37,726,332	-	37,726,332
2000	Total Liabilities	78,063,156	195	78,063,351
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS Pension	6,525,136	-	6,525,136
2606	Deferred Inflow Related to TRS OPEB	17,558,422	-	17,558,422
2600	Total Deferred Inflows of Resources	24,083,558	-	24,083,558
NET POSITION				
3200	Net Investment in Capital Assets	33,643,167	85,487	33,728,654
3820	Restricted for Federal and State Programs	66,439	-	66,439
3900	Unrestricted	(50,495,676)	2,221,872	(48,273,804)
3000	Total Net Position	\$ (16,786,070)	\$ 2,307,359	\$ (14,478,711)

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, 2020

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 23,038,833	\$ 2,865,970	\$ 20,439,149
12 Instructional Resources and Media Services	544,661	92,073	390,659
13 Curriculum and Instructional Staff Development	8,314,181	2,365,660	4,642,854
21 Instructional Leadership	2,967,826	601,012	2,041,475
23 School Leadership	3,575,619	-	3,168,823
31 Guidance, Counseling and Evaluation Services	1,640,846	79,927	1,387,021
32 Social Work Services	5,945,691	885,845	4,008,827
33 Health Services	417,976	-	375,612
34 Student (Pupil) Transportation	2,029,489	-	2,107,981
35 Food Services	3,972,465	-	3,839,963
36 Extracurricular Activities	53,569	-	51,781
41 General Administration	3,847,397	771,454	4,877,249
51 Facilities Maintenance and Operations	8,119,834	488,179	7,401,558
52 Security and Monitoring Services	15,941	-	-
53 Data Processing Services	1,907,829	491,708	945,940
61 Community Services	682,260	52,109	552,453
62 School District Administrative Support (ESC)	907,148	515,998	279,077
93 Payments Related to Shared Services Arrangements	32,475	-	32,475
[TG] Total Governmental Activities:	68,014,040	9,209,935	56,542,897
BUSINESS-TYPE ACTIVITIES:			
01 Cyber Cafe	23,180	575	-
02 Allied States Cooperative	501,188	1,604,347	-
03 School Zone / Print Shop	721,869	718,479	-
[TB] Total Business-Type Activities:	1,246,237	2,323,401	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 69,260,277	\$ 11,533,336	\$ 56,542,897
Data Control Codes	General Revenues:		
	Taxes:		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
S2	Special Item - Loss on disposal of asset		
FR	Transfers In (Out)		
TR	Total General Revenues, Special Items, & 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
\$ 266,286	\$ -	\$ 266,286
(61,929)	-	(61,929)
(1,305,667)	-	(1,305,667)
(325,339)	-	(325,339)
(406,796)	-	(406,796)
(173,898)	-	(173,898)
(1,051,019)	-	(1,051,019)
(42,364)	-	(42,364)
78,492	-	78,492
(132,502)	-	(132,502)
(1,788)	-	(1,788)
1,801,306	-	1,801,306
(230,097)	-	(230,097)
(15,941)	-	(15,941)
(470,181)	-	(470,181)
(77,698)	-	(77,698)
(112,073)	-	(112,073)
-	-	-
(2,261,208)	-	(2,261,208)
-	(22,605)	(22,605)
-	1,103,159	1,103,159
-	(3,390)	(3,390)
-	1,077,164	1,077,164
(2,261,208)	1,077,164	(1,184,044)
1,638,543	-	1,638,543
333,363	-	333,363
748	-	748
(21,343)	-	(21,343)
7,580,498	(7,580,498)	-
9,531,809	(7,580,498)	1,951,311
7,270,601	(6,503,334)	767,267
(24,056,671)	8,810,693	(15,245,978)
\$ (16,786,070)	\$ 2,307,359	\$ (14,478,711)

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

REGION 19 EDUCATION SERVICE CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	General Fund	Head Start	Capital Projects Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 7,097,858	\$ 150	\$ 16,344,248
1120 Investments - Current	1,880,622	-	-
1240 Due from Other Governments	65,808	4,399,736	-
1250 Accrued Interest	1,353	-	-
1260 Due from Other Funds	4,103,663	-	-
1290 Other Receivables	552,422	-	-
1410 Prepayments	22,078	12,902	-
1000 Total Assets	<u>\$ 13,723,804</u>	<u>\$ 4,412,788</u>	<u>\$ 16,344,248</u>
LIABILITIES			
2110 Accounts Payable	\$ 861,988	\$ 2,414,939	\$ 1,497,025
2150 Payroll Deductions and Withholdings Payable	501,293	-	-
2160 Accrued Wages Payable	8,366	19,507	-
2170 Due to Other Funds	3,142,954	1,978,342	271,954
2180 Due to Other Governments	-	-	-
2190 Due to Student Groups	-	-	-
2300 Unearned Revenue	283,769	-	-
2000 Total Liabilities	<u>4,798,370</u>	<u>4,412,788</u>	<u>1,768,979</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	22,078	-	-
Restricted Fund Balance:			
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	6,550,000	-	14,575,269
3530 Capital Expenditures for Equipment	543,338	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	369,218	-	-
3600 Unassigned Fund Balance	1,440,800	-	-
3000 Total Fund Balances	<u>8,925,434</u>	<u>-</u>	<u>14,575,269</u>
4000 Total Liabilities and Fund Balances	<u>\$ 13,723,804</u>	<u>\$ 4,412,788</u>	<u>\$ 16,344,248</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	33,924	\$	23,476,180
	-		1,880,622
	1,385,336		5,850,880
	-		1,353
	134,763		4,238,426
	-		552,422
	12,721		47,701
<u>\$</u>	<u>1,566,744</u>	<u>\$</u>	<u>36,047,584</u>
\$	91,991	\$	4,865,943
	-		501,293
	24,729		52,602
	1,284,383		6,677,633
	96,044		96,044
	3,158		3,158
	-		283,769
	1,500,305		12,480,442
	-		22,078
	66,439		66,439
	-		21,125,269
	-		543,338
	-		369,218
	-		1,440,800
	66,439		23,567,142
<u>\$</u>	<u>1,566,744</u>	<u>\$</u>	<u>36,047,584</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, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 23,567,142
The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	2,704,464
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 \$50,624,945 and the accumulated depreciation was (\$25,820,223). 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.	9,687,984
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 2020 capital outlays is to increase net position.	24,419,254
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,615,469)
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 \$15,354,952, a Deferred Resource Inflow in the amount of \$6,525,136, and a net pension liability in the amount of \$33,635,563. This resulted in a decrease in net position.	(24,805,747)
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-Care included a Deferred Resource Outflow in the amount of \$4,541,056, a Deferred Resource Inflow in the amount of \$17,558,422, and a net pension liability in the amount of \$37,726,332. This resulted in a decrease in net position.	(50,743,698)
Net Position of Governmental Activities	<u><u>\$ (16,786,070)</u></u>

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, 2020

Data Control Codes	General Fund	Head Start	Capital Projects Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 5,425,289	\$ 79,741	\$ 4,235
5800 State Program Revenues	2,508,221	-	-
5900 Federal Program Revenues	3,376,702	42,156,438	-
5020 Total Revenues	11,310,212	42,236,179	4,235
EXPENDITURES:			
Current:			
0011 Instruction	249,652	19,170,705	-
0012 Instructional Resources and Media Services	134,344	313,263	-
0013 Curriculum and Instructional Staff Development	3,385,047	1,298,228	-
0021 Instructional Leadership	133,058	1,193,827	-
0023 School Leadership	43,622	3,160,347	-
0031 Guidance, Counseling, and Evaluation Services	168,214	640,627	-
0032 Social Work Services	77,407	3,004,130	-
0033 Health Services	3,517	373,098	-
0034 Student (Pupil) Transportation	48,761	2,098,113	-
0035 Food Services	52,902	1,789,144	-
0036 Extracurricular Activities	1,782	3,432	-
0041 General Administration	2,341,255	773,051	183,486
0051 Facilities Maintenance and Operations	617,689	7,146,980	-
0053 Data Processing Services	844,248	774,235	-
0061 Community Services	39,011	496,999	-
0062 School District Administrative Support (ESC Only)	669,159	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	75,109	-	7,672,328
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030 Total Expenditures	8,884,777	42,236,179	7,855,814
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,425,435	-	(7,851,579)
OTHER FINANCING SOURCES (USES):			
7914 Non-Current Loans	-	-	776,848
7915 Transfers In	-	-	21,650,000
8911 Transfers Out (Use)	(10,238,524)	-	-
7080 Total Other Financing Sources (Uses)	(10,238,524)	-	22,426,848
1200 Net Change in Fund Balances	(7,813,089)	-	14,575,269
0100 Fund Balance - September 1 (Beginning)	16,738,523	-	-
3000 Fund Balance - August 31 (Ending)	\$ 8,925,434	\$ -	\$ 14,575,269

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

	Other Funds	Total Governmental Funds
\$	4,153,270	\$ 9,662,535
	1,346,651	3,854,872
	7,277,244	52,810,384
	12,777,165	66,327,791
	3,135,993	22,556,350
	4	447,611
	2,682,692	7,365,967
	1,386,520	2,713,405
	-	3,203,969
	719,716	1,528,557
	2,295,121	5,376,658
	2,053	378,668
	-	2,146,874
	2,035,665	3,877,711
	48,355	53,569
	-	3,297,792
	200,030	7,964,699
	8,299	1,626,782
	93,555	629,565
	136,687	805,846
	-	7,747,437
	32,475	32,475
	12,777,165	71,753,935
	-	(5,426,144)
	-	776,848
	-	21,650,000
	-	(10,238,524)
	-	12,188,324
	-	6,762,180
	66,439	16,804,962
\$	66,439	\$ 23,567,142

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, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 6,762,180
The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(3,352,821)
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 2020 capital outlays is to increase net position.	9,687,984
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.	(1,615,469)
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 \$2,566,783. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$2,264,576. 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 \$4,257,935. The net result is a decrease in the change in net position.	(3,955,728)
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 \$590,666. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$566,134. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$280,077. The net result is a decrease in the change in net position.	(255,545)
Change in Net Position of Governmental Activities	\$ 7,270,601

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, 2020

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 1,576,966
Due from Other Funds	1,975,657	973,534
Other Receivables	235,566	204
Inventories	33,378	-
Prepayments	-	388,264
Total Current Assets	<u>2,244,601</u>	<u>2,938,968</u>
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	-	5,344
Depreciation on Buildings	-	(2,672)
Furniture and Equipment	107,085	81,831
Depreciation on Furniture and Equipment	(21,598)	(58,689)
Construction in Progress	-	269,804
Total Noncurrent Assets	<u>85,487</u>	<u>295,618</u>
Total Assets	<u>2,330,088</u>	<u>3,234,586</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	42,672
Accrued Wages Payable	195	-
Due to Other Funds	22,534	487,450
Total Liabilities	<u>22,729</u>	<u>530,122</u>
NET POSITION		
Net Investment in Capital Assets	85,487	295,618
Unrestricted Net Position	2,221,872	2,408,846
Total Net Position	<u>\$ 2,307,359</u>	<u>\$ 2,704,464</u>

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, 2020

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 2,323,401	\$ 2,024,498
Total Operating Revenues	<u>2,323,401</u>	<u>2,024,498</u>
OPERATING EXPENSES:		
Payroll Costs	487,995	582,410
Professional and Contracted Services	235,142	410,754
Supplies and Materials	471,931	84,383
Other Operating Costs	41,671	481,736
Depreciation Expense	9,498	5,978
Total Operating Expenses	<u>1,246,237</u>	<u>1,565,261</u>
Operating Income	<u>1,077,164</u>	<u>459,237</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	<u>-</u>	<u>18,920</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>18,920</u>
Income Before Transfers	1,077,164	478,157
Transfers Out	<u>(7,580,498)</u>	<u>(3,830,978)</u>
Change in Net Position	<u>(6,503,334)</u>	<u>(3,352,821)</u>
Total Net Position - September 1 (Beginning)	<u>8,810,693</u>	<u>6,057,285</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 2,307,359</u></u>	<u><u>\$ 2,704,464</u></u>

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, 2020

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 8,887,888	\$ -
Cash Received from Assessments - Other Funds	-	5,057,390
Cash Payments to Employees for Services	(487,800)	(582,516)
Cash Payments for Suppliers	(682,934)	(520,408)
Cash Payments for Other Operating Expenses	(41,671)	(114,023)
Net Cash Provided by Operating Activities	7,675,483	3,840,443
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer Out	(7,580,498)	(3,830,978)
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	(94,985)	(9,465)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	-	18,920
Net Increase in Cash and Cash Equivalents	-	18,920
Cash and Cash Equivalents at Beginning of Year	-	1,558,046
Cash and Cash Equivalents at End of Year	\$ -	\$ 1,576,966
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income:	\$ 1,077,164	\$ 459,237
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities:		
Depreciation	9,498	5,978
Effect of Increases and Decreases in Current		
Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	6,533,635	3,030,286
Decrease (increase) in Receivables	30,852	2,606
Decrease (increase) in Inventories	1,605	-
Decrease (increase) in Prepaid Expenses	-	(180,488)
Increase (decrease) in Accounts Payable	-	35,480
Increase (decrease) in Accrued Wages Payable	195	(106)
Increase (decrease) in Due to Other Funds	22,534	487,450
Net Cash Provided by Operating Activities	\$ 7,675,483	\$ 3,840,443

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

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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, this outflow results primarily from changes in proportion and differences between the Center’s contributions and the proportionate share of contributions as well as pension plan contributions made after the measurement date of the net pension liability. For OPEB, this outflow results primarily from OPEB contributions made after the measurement date of the net OPEB liability. 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, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and differences between expected and actual economic experiences. For OPEB, these deferred inflows result from changes in actuarial assumptions and differences between expected and actual economic experiences. These amounts 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, 2020

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, 2020

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, 2020

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.

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.

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. **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.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. **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, 2020

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, 2020, 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 Certificates of Deposit in one or more federally insured depository institutions to amounts, principal and accrued interest, fully covered by federal insurance. As of August 31, 2020, the Center's negotiable Certificates of Deposit were fully covered by federal insurance and therefore credit risk is not applicable. 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 Certificates of deposit and 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, 2020

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 - Because the Center's Certificates of Deposit are fully covered by federal insurance and money market funds are exempt, concentration of credit risk is not applicable.

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, proprietary, and fiduciary fund financial statements.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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, 2020

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, 2020

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.
- F. The Center implemented GASB Statement No. 95 Postponement of the Effective Dates of Certain Authoritative Guidance, which provides temporary relief to governments and other stakeholders in light of the COVID 19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or were scheduled to become effective for periods beginning after June 15, 2018 and later.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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, 2020

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 22, 2019, 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, 2020

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Temporary Investments

At August 31, 2020, the carrying amount of the Center's general fund and special revenue fund deposits, (cash and interest-bearing savings accounts) were \$2,401,648 and \$33,924, and the total bank balance was \$4,946,187. 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, 2020, 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, including fiduciary amounts, amounted to \$18,919,806 and occurred during the month of July 2020.
- c. The total amount of FDIC coverage at the time of the largest combined balance was \$283,914.
- d. The estimated market value of securities pledged as of the date of the highest combined balance on deposit was \$22,673,496.

The Center had cash at Community Banks of Colorado, an institution other than the depository bank. The carrying amount of this capital project fund deposit was \$250,000 at August 31, 2020. This amount was fully FDIC insured.

The Center also had 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 \$16,094,248 at August 31, 2020.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

The Center's temporary investments included in cash and cash equivalents at August 31, 2020, 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*	\$ 3,665,110	106	AAAm
Texas CLASS**	2,381,078	84	AAAm
Lone Star Corporate Overnight Fund*	61,737	73	AAAm
Lone Star Corporate Overnight Plus Fund**	94,664	84	AAAf
Lone Star Government Overnight Fund*	69,687	99	AAAm
Total	<u>\$ 6,272,276</u>		
Allocated To:			
General Fund	\$ 4,695,310		
Internal Service Funds	<u>1,576,966</u>		
Total	<u>\$ 6,272,276</u>		

* - measured at amortized cost

** - measured at fair value

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.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

B. Investments

The Center maintains a fixed income portfolio with Wells Fargo Bank. At August 31, 2020, the portfolio consists of negotiable Certificates of Deposits at six different financial institutions. The fair value of each individual Certificate of Deposit is less than \$250,000 and approximates the par value and accrued interest, which are fully covered by federal insurance. The portfolio also includes a money market fund with the investments listed below:

Investment	Fair Value	General Fund	WAM (in days)	Rating (S&P)
Certificates of Deposit	\$ 1,368,434	\$ 1,368,434	139	not rated
BlackRock Federal Fund / Institutional	512,188	512,188	45	AAAm
	<u>\$ 1,880,622</u>	<u>\$ 1,880,622</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 has the following recurring fair value measurements as of August 31, 2020:

- Negotiable Certificates of Deposit of \$1,368,434 are valued using market closing prices under the market approach (Level 2 inputs).
- 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, 2020

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, 2020, consisted of the following amounts:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
General Fund	\$ 59,000	\$ 59,000
Head Start Fund	1,978,342	-
Capital Projects Fund	271,954	-
Enterprise Funds	22,534	1,975,657
Nonmajor Governmental Funds	1,284,383	134,763
Internal Service Funds	<u>487,450</u>	<u>973,534</u>
Total General Fund	<u>4,103,663</u>	<u>3,142,954</u>
Head Start Fund:		
General Fund	<u>-</u>	<u>1,978,342</u>
Capital Projects Fund:		
General Fund	<u>-</u>	<u>271,954</u>
Enterprise Funds:		
General Fund	<u>1,975,657</u>	<u>22,534</u>
Nonmajor Governmental Funds:		
General Fund	<u>134,763</u>	<u>1,284,383</u>
Internal Service Funds:		
General Fund	<u>973,534</u>	<u>487,450</u>
Total	<u><u>\$ 7,187,617</u></u>	<u><u>\$ 7,187,617</u></u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

D. Other Receivables

Other Receivables as of August 31, 2020, consisted of the following:

Due From	General Fund	Internal Service Funds	Enterprise Funds	Total
School Districts and Other Local Governments	\$ 287,889	\$ -	\$ -	\$ 287,889
Region 17 Education Service Center	219,998	-	-	219,998
Participants of Certification Programs	44,535	-	-	44,535
Various Vendors through Coop	-	-	393,107	393,107
Miscellaneous Other Receivables	-	204	410	614
Total	552,422	204	393,517	946,143
Less: Allowance for Doubtful Accounts	-	-	(157,951)	(157,951)
Total, net	\$ 552,422	\$ 204	\$ 235,566	\$ 788,192

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, 2020

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, 2020, including internal service funds, was as follows:

	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>				
Land	\$ 1,660,864	\$ -	\$ -	\$ 1,660,864
Buildings and improvements	33,944,338	-	-	33,944,338
Furniture and equipment	9,963,827	2,061,620	380,405	11,645,042
Vehicles	4,566,949	627,577	47,662	5,146,864
Construction in Progress	488,967	7,792,037	-	8,281,004
Total at historic cost	50,624,945	10,481,234	428,067	60,678,112
Less accumulated depreciation for:				
Buildings and improvements	13,711,684	778,136	-	14,489,820
Furniture and equipment	8,361,633	623,371	376,936	8,608,068
Vehicles	3,746,906	219,939	29,788	3,937,057
Total accumulated depreciation	25,820,223	1,621,446	406,724	27,034,945
Governmental activities capital assets, net	\$ 24,804,722	\$ 8,859,788	\$ -	\$ 33,643,167
<u>Business-type activities:</u>				
Furniture and equipment	\$ 12,100	\$ 94,985	-	\$ 107,085
Total at historic cost	12,100	94,985	-	107,085
Less accumulated depreciation	-	-	-	-
Furniture and equipment	12,100	9,498	-	21,598
Total accumulated depreciation	12,100	9,498	-	21,598
Business-type activities capital Assets, net	\$ -	\$ 85,487	\$ -	\$ 85,487

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	420,383
Instructional resources and media services		12,100
Curriculum and staff development		101,463
Instructional leadership		36,220
School leadership		51,825
Guidance, counseling and evaluation services		15,513
Social work services		88,691
Health services		5,486
Student (pupil) transportation		184,794
Food services		94,064
General administration		73,763
Facilities maintenance and operations		379,107
Security and monitoring services		15,941
Data processing services		126,014
Community services		10,104
		<u>1,615,468</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>5,978</u>
Total depreciation expense	\$	<u><u>1,621,446</u></u>

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Other liabilities					
Compensated absences	\$ 93,337	\$ 11,163	\$ (25,568)	\$ 78,932	\$ -
Loans payable	-	\$ 776,848	-	\$ 776,848	
Total other liabilities	<u>\$ 93,337</u>	<u>\$ 788,011</u>	<u>\$ (25,568)</u>	<u>\$ 855,780</u>	<u>\$ -</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, 2020

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%.

As of August 31, 2020, \$787,848 had been withdrawn from the loan.

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.

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.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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, 2013. 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, 2020

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, 2020 as follows:

<u>Year Ending August 31,</u>	
2021	\$ 310,482
2022	215,818
2023	206,720
2024	206,720
2025	86,898
2026 - 2030	431,486
2031 - 2035	419,484
2036 - 2040	419,484
2041 - 2045	419,484
2046 - 2050	419,482
2051 - 2055	419,476
2056 - 2060	<u>251,684</u>
Total minimum rentals	<u>\$ 3,807,218</u>

Rental expenditures for the year ended August 31, 2020 for all operating leases were \$1,309,315.

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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

Contributions Required and Made

FY 2020 Employer Contributions	\$ 2,566,783
FY 2020 Member Contributions	2,517,255
2019 Plan Year NECE On-Behalf Contributions (State)	304,130

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (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.
- When the employing district is a public or charter school, the employer shall contribute 1.5 percent of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non-OASDI surcharge that was in effect in fiscal year 2019.

Included in the employer contributions amount listed above for fiscal year 2020, the Center did not pay a retiree surcharge during the fiscal year and \$490,380 for non-OASDI employees. 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
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 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/ Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.50% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

Discount Rate: The single discount rate used to measure the total pension liability was 7.25 percent. The single discount rate was based on the expected rate of return on 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.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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 Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100%	100.0%	7.23%

*Target allocations are based on the Strategic Asset Allocation as of FY2019

**New allocations are based on the Strategic Asset Allocation to be implemented FY 2020

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

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

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

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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 Rate 8.25%
Center's proportionate share of the net pension liability	\$ 51,702,747	\$ 33,635,563	\$ 18,997,657

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At August 31, 2020, the Center reported a liability of \$33,635,563 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	\$ 33,635,563
State's proportionate share that is associated with the Center	<u>4,517,068</u>
Total	<u><u>\$ 38,152,631</u></u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018 through August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0647047719 % which was a decrease of 0.0006808149% from its proportion measured as of August 31, 2018.

Changes since the Prior Actuarial Valuation: The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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

For the year ended August 31, 2020, the Center recognized pension expense of \$709,568 and revenue of \$709,568 for support provided by the State.

The amount of pension expense recognized by the Center in the reporting period was \$7,232,079.

At August 31, 2020, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 141,299	\$ 1,167,880
Changes in actuarial assumptions	10,435,404	4,312,402
Net difference between projected and actual investment earnings	337,740	-
Changes in proportion and difference between Center's contributions and proportionate share of contributions	1,873,726	1,044,854
Center contributions to TRS subsequent to the measurement date	2,566,783	-
Total	<u>\$ 15,354,952</u>	<u>\$ 6,525,136</u>

The \$2,566,783 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, 2021.

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
2021	\$ 1,564,108
2022	1,184,724
2023	1,696,551
2024	1,692,220
2025	449,891
Thereafter	<u>(324,461)</u>
	<u>\$ 6,263,033</u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

Changes in Net Pension Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 35,989,814	\$ -	\$ 2,354,251	\$ 33,635,563

Pension Payable: At August 31, 2020, the Center reported a payable of \$432,776 to the pension plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$213,915.

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. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

Benefits Provided: TRS-Care provides 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. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contributions Rates</u>	
	2019	2020
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%
FY 2020 Employer Contributions	\$	590,666
FY 2020 Member Contributions		212,495
2019 Plan Year NECE On-behalf Contributions (State)		752,279

Included in the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of \$535 per retiree. During the year ended June 30, 2020, the Center did not hire retirees and therefore no surcharge was paid.

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

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

House Bill 1, 86th Texas Legislature, Regular Session, 2019 was passed to provide an additional \$230 million to continue to support the program. The Center's proportionate share of this amount totaled \$184,085, representing the 12 months TRS received payments from September 1, 2019 through August 31, 2020.

Actuarial Assumptions: The total OPEB liability (TOL) in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. 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.

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 identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation:

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, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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).

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

Health Care Trend Rates	Initial medical trend rates of 10.25 percent for Medicare retirees and 7.5 percent for non-Medicare retirees. Initial prescription drug trend rate of 10.25 percent for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50 percent over a period of 13 years.
Election Rates	Normal Retirement: 65 percent participation prior to age 65 and 50 percent participation after 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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lower participation rates, and updates to the health care trend assumptions.

The impact of the Cadillac Tax that was expected to return in the plan's fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax
- There were no special adjustments to the dollar limit other than those permissible for the non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption. On December 20, 2019, the President signed into law a full repeal of the Cadillac Tax.

Discount Rate: A single discount rate of 2.63 percent was used to measure the total OPEB liability. There was a decrease of 1.06 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 applied to all periods of projected benefit payments to determine the total OPEB liability.

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

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

	1% Decrease in Discount Rate 1.63%	Current Single Discount Rate 2.63%	1% Increase in Discount Rate 3.63%
Center's proportionate share of the Net OPEB Liability:	\$ 45,547,785	\$ 37,726,332	\$ 31,607,598

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:	\$ 30,775,816	\$ 37,726,332	\$ 47,036,826

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs: At August 31, 2020, the Center reported a liability of \$37,726,332 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	\$ 37,726,332
State's proportionate share that is associated with the Center	<u>50,129,854</u>
Total	<u>\$ 87,856,186</u>

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

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0797744821%, which was an increase of 0.0000988998% from its proportion measured as of August 31, 2018.

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 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the total OPEB liability.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumptions for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased 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, 2020, the Center recognized OPEB expense of \$1,321,217 and revenue of \$1,321,217 for support provided by the State.

The amount of OPEB expense recognized by the Center in the reporting period was \$2,167,428.

At August 31, 2020, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits (OPEB) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,850,797	\$ 6,173,514
Changes in actuarial assumptions	2,095,403	10,147,457
Difference between projected and actual investment earnings	4,070	-
Changes in proportion and difference between the Center's contributions and the proportionate share of contributions	120	1,237,451
Contributions paid to TRS subsequent to the measurement date	590,666	-
Total	<u>\$ 4,541,056</u>	<u>\$ 17,558,422</u>

The \$590,666 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, 2021. 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:

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

Year Ended August 31:	OPEB Expense Amount
2021	\$ (2,256,390)
2022	(2,256,390)
2023	(2,257,707)
2024	(2,258,461)
2025	(2,258,254)
Thereafter	(2,320,830)
	<u>\$ (13,608,032)</u>

Changes in Net OPEB Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Net OPEB Liability	\$ 39,882,005	\$ -	\$ 2,155,673	\$ 37,726,332

Payable to the OPEB Plan: At August 31, 2020, the Center reported a payable of \$68,426 to the OPEB plan for the outstanding amount of contractually required contributions related to past service costs. Member contributions included in this payable were \$18,058.

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, 2020, 2019 and 2018 were \$156,130, \$116,529, and \$95,114, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the Center.

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, 2020, the Center contributed approximately \$514 per month per employee to the Plan. There were no other liabilities associated with the Plan.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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 \$410,571 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 1.26% of annual payroll.

N. Unemployment Self-insurance Fund

During the year ended August 31, 2020, 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, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

O. Unearned Revenues

Unearned revenues at year-end consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Training and certification courses	\$ 6,292	\$ -	\$ 6,292
Professional development classes	277,477	-	277,477
State Foundation revenue	-	-	-
Local grant revenue	-	-	-
Total Unearned Revenues	\$ 283,769	\$ -	\$ 283,769

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

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	Enterprise Funds	Total
Services to other districts	\$ 3,857,430	\$ -	\$ -	\$ 138,929	\$ -	\$ 1,604,347	\$ 5,600,706
Tuition and fees	2,720	-	-	-	-	-	2,720
Investment income	329,128	-	4,235	-	-	-	333,363
Rent	-	-	-	-	193,869	-	193,869
Foundations or gifts	750	-	-	-	-	-	750
User charges	1,235,261	79,741	-	4,014,341	1,830,629	-	7,159,972
Enterprising Services	-	-	-	-	-	719,054	719,054
Total	<u>\$ 5,425,289</u>	<u>\$ 79,741</u>	<u>\$ 4,235</u>	<u>\$ 4,153,270</u>	<u>\$ 2,024,498</u>	<u>\$ 2,323,401</u>	<u>\$ 14,010,434</u>

Q. Encumbrances

The Center had no outstanding encumbrances at August 31, 2020.

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REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

R. Fund Balance

As of August 31, 2020, fund balances were composed of the following:

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
<u>NonSpendable:</u>				
Prepaid Items	\$ 22,078	\$ -	\$ -	\$ 22,078
<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	4,500,000	14,575,269	-	4,500,000
NatureZeum Project	2,050,000	-	-	2,050,000
Total Construction	6,550,000	14,575,269	-	6,550,000
Electronic Back-Up Storage	50,000	-	-	50,000
Building Interior/Exterior Upgrades	273,838	-	-	273,838
Other Equipment	219,500	-	-	219,500
Total Capital Expenditures for Equipment	543,338	-	-	543,338
<u>Assigned:</u>				
Professional Conferences	369,218	-	-	369,218
Total Other Assigned Fund Balance	369,218	-	-	369,218
<u>Unassigned:</u>				
Unassigned Fund Balance	1,440,800	-	-	1,440,800
Total	\$ 8,925,434	\$ 14,575,269	\$ 66,439	\$ 8,991,873

The Cyber Café had a deficit Net Position of (\$22,605) as of August 31, 2020. 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, 2020

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, 2020, 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, 2020, Region 19 Education Service Center carried insurance for building and contents in the amount of \$70,669,672 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 ranging from \$1,000 to \$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, 2020.

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.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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

Expenditures of the SSA are summarized below:

Fort Hancock I.S.D.	\$ 53,561
Clint I.S.D.	93,310
Dell City I.S.D.	49,055
Sierra Blanca I.S.D.	13,379
El Paso Leadership Academy	331
La Fe Preparatory School	6,811
Burnham Wood Charter	35
El Paso Academy	4,218
	<hr/>
Total	<u>\$ 220,700</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. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.
- 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. 94, *Public-Private and Public-Public Partnerships and Availability Arrangement*, effective for periods beginning after June 15, 2022. GASB No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements as well as availability payment arrangements.

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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, 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 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.

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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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,692,354	\$ 5,272,964	\$ 5,425,289	\$ 152,325
5800 State Program Revenues	2,297,475	2,297,475	2,508,221	210,746
5900 Federal Program Revenues	3,087,442	3,087,442	3,376,702	289,260
5020 Total Revenues	10,077,271	10,657,881	11,310,212	652,331
EXPENDITURES:				
Current:				
0011 Instruction	393,940	404,567	249,652	154,915
0012 Instructional Resources and Media Services	177,619	141,172	134,344	6,828
0013 Curriculum and Instructional Staff Development	3,463,376	4,041,515	3,385,047	656,468
0021 Instructional Leadership	256,446	232,914	133,058	99,856
0023 School Leadership	75,386	75,386	43,622	31,764
0031 Guidance, Counseling, and Evaluation Services	110,195	160,910	168,214	(7,304)
0032 Social Work Services	116,294	117,534	77,407	40,127
0033 Health Services	8,122	8,122	3,517	4,605
0034 Student (Pupil) Transportation	68,519	69,634	48,761	20,873
0035 Food Services	79,099	82,816	52,902	29,914
0036 Extracurricular Activities	17,629	8,583	1,782	6,801
0041 General Administration	2,518,646	2,536,608	2,341,255	195,353
0051 Facilities Maintenance and Operations	810,400	850,690	617,689	233,001
0053 Data Processing Services	780,098	878,102	844,248	33,854
0061 Community Services	139,540	140,340	39,011	101,329
0062 School District Administrative Support (ESC Only)	1,061,962	1,108,988	669,159	439,829
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	13,791,550	75,109	13,716,441
6030 Total Expenditures	10,077,271	24,649,431	8,884,777	15,764,654
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(13,991,550)	2,425,435	16,416,985
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(10,238,524)	(10,238,524)
1200 Net Change in Fund Balances	-	(13,991,550)	(7,813,089)	6,178,461
0100 Fund Balance - September 1 (Beginning)	16,738,523	16,738,523	16,738,523	-
3000 Fund Balance - August 31 (Ending)	\$ 16,738,523	\$ 2,746,973	\$ 8,925,434	\$ 6,178,461

REGION 19 EDUCATION SERVICE CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET TO ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2020

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 22, 2019, 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.

Amendments to Adopted Budget

There is a net \$14.6 million difference between the original budget and the final budget. This is primarily due to an amendment to budget funds for the construction of the Garage/Conference Center. However, not all funds designated in the budget were used due to time constraints and using the Capital Projects fund for construction expenditures.

Expenditures in Excess of Appropriations

During the fiscal year ended August 31, 2020, 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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Center's Proportion of the Net Pension Liability (Asset)	0.064704772%	0.065385587%	0.067186915%
Center's Proportionate Share of Net Pension Liability (Asset)	\$ 33,635,563	\$ 35,989,814	\$ 21,482,756
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Center	4,517,068	4,972,929	3,279,407
Total	<u>\$ 38,152,631</u>	<u>\$ 40,962,743</u>	<u>\$ 24,762,163</u>
Center's Covered Payroll	\$ 30,907,749	\$ 30,100,673	\$ 30,398,724
Center's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	108.83%	119.56%	70.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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

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

<hr/>		
FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
<hr/>		
0.064163064%	0.0692264%	0.0586847%
\$ 24,246,268	\$ 24,470,611	\$ 13,805,698
3,684,062	3,463,102	2,638,981
<hr/> \$ 27,930,330	<hr/> \$ 27,933,713	<hr/> \$ 16,444,679
<hr/>	<hr/>	<hr/>
\$ 27,991,415	\$ 27,942,837	\$ 22,863,143
86.62%	87.57%	60.38%
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 2020

	2020	2019	2018
Contractually Required Contribution	\$ 2,566,783	\$ 2,264,576	\$ 2,202,582
Contribution in Relation to the Contractually Required Contribution	(2,566,783)	(2,264,576)	(2,202,582)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 32,810,777	\$ 30,907,749	\$ 30,100,673
Contributions as a Percentage of Covered Payroll	7.82%	7.33%	7.32%

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.

2017	2016	2015			
\$ 2,201,995	\$ 2,038,833	\$ 2,049,733			
(2,201,995)	(2,038,833)	(2,049,733)			
\$ -	\$ -	\$ -			
\$ 30,398,724	\$ 27,991,415	\$ 27,942,837			
7.24%	7.28%	7.34%			

REGION 19 EDUCATION CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR PENSIONS

FOR THE YEAR AUGUST 31, 2020

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

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

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, 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	0.079774482%	0.079874372%	0.082332772%
Center's Proportionate Share of Net OPEB Liability (Asset)	\$ 37,726,332	\$ 39,882,005	\$ 35,803,434
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	50,129,854	4,163,851	4,122,791
Total	<u>\$ 87,856,186</u>	<u>\$ 44,045,856</u>	<u>\$ 39,926,225</u>
Center's Covered Payroll	\$ 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	122.06%	132.50%	117.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

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

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 590,666	\$ 566,134	\$ 551,080
Contribution in Relation to the Contractually Required Contribution	(590,666)	(566,134)	(551,080)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Center's Covered Payroll	\$ 32,810,777	\$ 30,907,749	\$ 26,276,743
Contributions as a Percentage of Covered Payroll	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, 2020

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

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SUPPLEMENTARY INFORMATION

REGION 19 EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

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	3,333	126,032	28,634	40,697
1260	Due from Other Funds	-	-	-	-
1410	Prepayments	-	1,663	2,211	-
1000	Total Assets	<u>\$ 3,333</u>	<u>\$ 127,695</u>	<u>\$ 30,845</u>	<u>\$ 40,697</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 2,525
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	3,333	127,695	30,845	38,172
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2000	Total Liabilities	<u>3,333</u>	<u>127,695</u>	<u>30,845</u>	<u>40,697</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>\$ 3,333</u>	<u>\$ 127,695</u>	<u>\$ 30,845</u>	<u>\$ 40,697</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	272 Medicaid Admin. Claim MAC	274 GEAR UP	276 Title I - SIP Academy Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
272,786	213,188	2,216	2,756	4,528	-	18,533	23,208
-	-	-	-	-	-	-	-
4,089	634	-	2,494	-	-	888	-
<u>\$ 276,875</u>	<u>\$ 213,822</u>	<u>\$ 2,216</u>	<u>\$ 5,250</u>	<u>\$ 4,528</u>	<u>\$ -</u>	<u>\$ 19,421</u>	<u>\$ 23,208</u>
\$ 4,698	\$ -	\$ 52	\$ -	\$ -	\$ -	\$ -	\$ -
3,042	-	-	-	-	-	-	-
269,135	213,822	2,164	5,250	4,528	-	19,421	23,208
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>276,875</u>	<u>213,822</u>	<u>2,216</u>	<u>5,250</u>	<u>4,528</u>	<u>-</u>	<u>19,421</u>	<u>23,208</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 276,875</u>	<u>\$ 213,822</u>	<u>\$ 2,216</u>	<u>\$ 5,250</u>	<u>\$ 4,528</u>	<u>\$ -</u>	<u>\$ 19,421</u>	<u>\$ 23,208</u>

REGION 19 EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		288	289	295	301
		Early Childhood Intervention	Other Federal Special Revenue Funds	SSA - Texas Education for Homeless	SSA ESEA I, C Migrant
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	223,729	33,141	6,662	39,690
1260	Due from Other Funds	-	3,046	-	-
1410	Prepayments	327	-	-	415
1000	Total Assets	<u>\$ 224,056</u>	<u>\$ 36,187</u>	<u>\$ 6,662</u>	<u>\$ 40,105</u>
LIABILITIES					
2110	Accounts Payable	\$ 13,791	\$ 17,592	\$ 625	\$ 15,602
2160	Accrued Wages Payable	3,092	18,595	-	-
2170	Due to Other Funds	207,173	-	6,037	24,503
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2000	Total Liabilities	<u>224,056</u>	<u>36,187</u>	<u>6,662</u>	<u>40,105</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>\$ 224,056</u>	<u>\$ 36,187</u>	<u>\$ 6,662</u>	<u>\$ 40,105</u>

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	410 State Instructional Materials
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18,704	55,836	26,945	9,760	-	1,109	-	13,001
-	-	-	-	56,189	-	10,250	-
-	-	-	-	-	-	-	-
<u>\$ 18,704</u>	<u>\$ 55,836</u>	<u>\$ 26,945</u>	<u>\$ 9,760</u>	<u>\$ 56,189</u>	<u>\$ 1,109</u>	<u>\$ 10,250</u>	<u>\$ 13,001</u>
\$ 9,537	\$ 14,462	\$ 1,800	\$ 6,000	\$ -	\$ 300	\$ -	\$ -
-	-	-	-	-	-	-	-
9,167	41,374	25,145	3,760	-	809	-	13,001
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>18,704</u>	<u>55,836</u>	<u>26,945</u>	<u>9,760</u>	<u>-</u>	<u>1,109</u>	<u>-</u>	<u>13,001</u>
-	-	-	-	56,189	-	10,250	-
-	-	-	-	56,189	-	10,250	-
<u>\$ 18,704</u>	<u>\$ 55,836</u>	<u>\$ 26,945</u>	<u>\$ 9,760</u>	<u>\$ 56,189</u>	<u>\$ 1,109</u>	<u>\$ 10,250</u>	<u>\$ 13,001</u>

REGION 19 EDUCATION SERVICE CENTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		414	429	480	486
		Texas Reading	Other State	Wells Fargo	Head Start
		Math Science	Special	Scholarship	Scholarship
		Initiative	Revenue Funds	Fund	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 33,924
1240	Due from Other Governments	2,263	94,932	-	-
1260	Due from Other Funds	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 2,263</u>	<u>\$ 94,932</u>	<u>\$ -</u>	<u>\$ 33,924</u>
LIABILITIES					
2110	Accounts Payable	\$ 146	\$ 398	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	2,117	94,534	-	-
2180	Due to Other Governments	-	-	-	33,924
2190	Due to Student Groups	-	-	-	-
2000	Total Liabilities	<u>2,263</u>	<u>94,932</u>	<u>-</u>	<u>33,924</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>\$ 2,263</u>	<u>\$ 94,932</u>	<u>\$ -</u>	<u>\$ 33,924</u>

487 Migrant Trust	488 Far West TX School Board Association	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 33,924
-	-	123,653	1,385,336
3,158	62,120	-	134,763
-	-	-	12,721
<u>\$ 3,158</u>	<u>\$ 62,120</u>	<u>\$ 123,653</u>	<u>\$ 1,566,744</u>
\$ -	\$ -	\$ 4,463	\$ 91,991
-	-	-	24,729
-	-	119,190	1,284,383
-	62,120	-	96,044
3,158	-	-	3,158
<u>3,158</u>	<u>62,120</u>	<u>123,653</u>	<u>1,500,305</u>
-	-	-	66,439
-	-	-	66,439
<u>\$ 3,158</u>	<u>\$ 62,120</u>	<u>\$ 123,653</u>	<u>\$ 1,566,744</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, 2020

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	22,422	550,392	320,516	204,653
5020 Total Revenues	22,422	550,392	320,516	204,653
EXPENDITURES:				
Current:				
0011 Instruction	-	-	6,358	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	467,496	750	196,521
0021 Instructional Leadership	22,422	-	195,733	-
0031 Guidance, Counseling, and Evaluation Services	-	-	102,968	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	715	-
0051 Facilities Maintenance and Operations	-	-	13,626	8,132
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	366	-
0062 School District Administrative Support (ESC Only	-	82,896	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	22,422	550,392	320,516	204,653
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	272 Medicaid Admin. Claim MAC	274 GEAR UP	276 Title I - SIP Academy Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,613,882	303,383	76,342	53,681	34,958	142,164	215,515	44,602
1,613,882	303,383	76,342	53,681	34,958	142,164	215,515	44,602
11,096	-	-	-	-	-	8,981	-
-	-	-	-	-	-	-	-
1,302,161	-	35,538	640	34,958	-	159,725	44,602
221,724	-	-	-	-	-	1,776	-
10,984	-	40,265	-	-	-	42,572	-
-	-	-	-	-	142,164	-	-
1,060	-	-	-	-	-	-	-
-	284,466	-	-	-	-	-	-
126	-	-	-	-	-	1,401	-
61,473	18,917	539	-	-	-	735	-
-	-	-	-	-	-	325	-
5,258	-	-	-	-	-	-	-
-	-	-	53,041	-	-	-	-
-	-	-	-	-	-	-	-
1,613,882	303,383	76,342	53,681	34,958	142,164	215,515	44,602
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	288 Early Childhood Intervention	289 Other Federal Special Revenue Funds	295 SSA - Texas Education for Homeless	301 SSA ESEA I, C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,895,852	\$ -	\$ -	\$ -
5800 State Program Revenues	1,006,696	-	-	-
5900 Federal Program Revenues	1,329,064	1,810,862	23,715	220,700
5020 Total Revenues	6,231,612	1,810,862	23,715	220,700
EXPENDITURES:				
Current:				
0011 Instruction	3,061,574	-	-	23,850
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	58,670	-	-
0021 Instructional Leadership	919,982	-	-	24,883
0031 Guidance, Counseling, and Evaluation Services	-	-	-	83,121
0032 Social Work Services	2,096,001	-	16,898	40,058
0033 Health Services	-	993	-	-
0035 Food Services	-	1,751,199	-	-
0036 Extracurricular Activities	-	-	3,865	11,748
0051 Facilities Maintenance and Operations	84,959	-	2,402	4,360
0053 Data Processing Services	-	-	-	-
0061 Community Services	69,096	-	550	205
0062 School District Administrative Support (ESC Only	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	32,475
6030 Total Expenditures	6,231,612	1,810,862	23,715	220,700
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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	410 State Instructional Materials
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	193,250	18,080	-	10,245	-	12,165
30,856	279,537	-	-	-	-	-	-
30,856	279,537	193,250	18,080	-	10,245	-	12,165
-	-	24,134	-	-	-	-	-
-	4	-	-	-	-	-	-
-	-	110,518	-	-	10,245	-	12,165
-	-	-	-	-	-	-	-
30,856	279,533	53,711	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	4,887	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	18,080	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30,856	279,537	193,250	18,080	-	10,245	-	12,165
-	-	-	-	-	-	-	-
-	-	-	-	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, 2020

Data Control Codes	414 Texas Reading Math Science Initiative	429 Other State Special Revenue Funds	480 Wells Fargo Scholarship Fund	486 Head Start Scholarship
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 7,100	\$ 30,500	\$ -
5800 State Program Revenues	10,081	96,134	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	10,081	103,234	30,500	-
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	10,081	19,554	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	75,706	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	30,500	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	7,974	-	-
0061 Community Services	-	-	-	-
0062 School District Administrative Support (ESC Only	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	10,081	103,234	30,500	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

487 Migrant Trust	488 Far West TX School Board Association	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 750	\$ 219,068	\$ 4,153,270
-	-	-	1,346,651
-	-	-	7,277,244
-	750	219,068	12,777,165
-	-	-	3,135,993
-	-	-	4
-	-	219,068	2,682,692
-	-	-	1,386,520
-	-	-	719,716
-	-	-	2,295,121
-	-	-	2,053
-	-	-	2,035,665
-	-	-	48,355
-	-	-	200,030
-	-	-	8,299
-	-	-	93,555
-	750	-	136,687
-	-	-	32,475
-	750	219,068	12,777,165
-	-	-	-
-	-	-	66,439
\$ -	\$ -	\$ -	\$ 66,439

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2020

	754	770
	Computer Operations	Facilities
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ -
Due from Other Funds	110,779	359,145
Other Receivables	-	204
Prepayments	-	233,047
Total Current Assets	<u>110,779</u>	<u>592,396</u>
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	-	5,344
Depreciation on Buildings	-	(2,672)
Furniture and Equipment	-	81,831
Depreciation on Furniture and Equipment	-	(58,689)
Construction in Progress	-	269,804
Total Noncurrent Assets	<u>-</u>	<u>295,618</u>
Total Assets	<u>110,779</u>	<u>888,014</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	-
Due to Other Funds	-	-
Total Liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	-	295,618
Unrestricted Net Position	110,779	592,396
Total Net Position	<u>\$ 110,779</u>	<u>\$ 888,014</u>

773	780	782	Total
Common Area Service	Workers' Compensation	Unemployment Compensation	Internal Service Funds
\$ -	\$ 615,067	\$ 961,899	\$ 1,576,966
262,792	-	240,818	973,534
-	-	-	204
-	155,217	-	388,264
<u>262,792</u>	<u>770,284</u>	<u>1,202,717</u>	<u>2,938,968</u>
-	-	-	5,344
-	-	-	(2,672)
-	-	-	81,831
-	-	-	(58,689)
-	-	-	269,804
<u>-</u>	<u>-</u>	<u>-</u>	<u>295,618</u>
<u>262,792</u>	<u>770,284</u>	<u>1,202,717</u>	<u>3,234,586</u>
-	28,225	14,447	42,672
-	487,450	-	487,450
-	515,675	14,447	530,122
-	-	-	295,618
<u>262,792</u>	<u>254,609</u>	<u>1,188,270</u>	<u>2,408,846</u>
<u>\$ 262,792</u>	<u>\$ 254,609</u>	<u>\$ 1,188,270</u>	<u>\$ 2,704,464</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, 2020

	754	770
	Computer Operations	Facilities
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 209,682	\$ 928,591
Total Operating Revenues	<u>209,682</u>	<u>928,591</u>
OPERATING EXPENSES:		
Payroll Costs	93,165	299,741
Professional and Contracted Services	78,704	284,776
Supplies and Materials	24,668	58,799
Other Operating Costs	435	45,555
Depreciation Expense	-	5,978
Total Operating Expenses	<u>196,972</u>	<u>694,849</u>
Operating Income	<u>12,710</u>	<u>233,742</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>
Income Before Transfers	12,710	233,742
Transfers Out	-	(1,830,978)
Change in Net Position	12,710	(1,597,236)
Total Net Position - September 1 (Beginning)	<u>98,069</u>	<u>2,485,250</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 110,779</u></u>	<u><u>\$ 888,014</u></u>

773	780	782	Total
Common Area Service	Workers' Compensation	Unemployment Compensation	Internal Service Funds
\$ 250,548	\$ 442,889	\$ 192,788	\$ 2,024,498
250,548	442,889	192,788	2,024,498
189,504	-	-	582,410
47,274	-	-	410,754
916	-	-	84,383
904	410,571	24,271	481,736
-	-	-	5,978
238,598	410,571	24,271	1,565,261
11,950	32,318	168,517	459,237
-	7,153	11,767	18,920
-	7,153	11,767	18,920
11,950	39,471	180,284	478,157
-	(1,000,000)	(1,000,000)	(3,830,978)
11,950	(960,529)	(819,716)	(3,352,821)
250,842	1,215,138	2,007,986	6,057,285
\$ 262,792	\$ 254,609	\$ 1,188,270	\$ 2,704,464

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	754	770
	Computer Operations	Facilities
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Assessments - Other Funds	\$ 196,972	\$ 2,554,683
Cash Payments to Employees for Services	(93,165)	(299,839)
Cash Payments for Suppliers	(103,372)	(368,846)
Cash Payments for Other Operating Expenses	(435)	(45,555)
Net Cash Provided by Operating Activities	<u>-</u>	<u>1,840,443</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer Out	<u>-</u>	<u>(1,830,978)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	<u>-</u>	<u>(9,465)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided By Operating Activities:</u>		
Operating Income:	\$ 12,710	\$ 233,742
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	-	5,978
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	(12,710)	1,623,486
Decrease (increase) in Receivables	-	2,606
Decrease (increase) in Prepaid Expenses	-	(25,271)
Increase (decrease) in Accounts Payable	-	-
Increase (decrease) in Accrued Wages Payable	-	(98)
Increase (decrease) in Due to Other Funds	<u>-</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ -</u></u>	<u><u>\$ 1,840,443</u></u>

773	780	782	Total
Common Area Service	Workers' Compensation	Unemployment Compensation	Internal Service Funds
\$ 238,606	\$ 1,057,266	\$ 1,009,863	\$ 5,057,390
(189,512)	-	-	(582,516)
(48,190)	-	-	(520,408)
(904)	(57,266)	(9,863)	(114,023)
-	1,000,000	1,000,000	3,840,443
-	(1,000,000)	(1,000,000)	(3,830,978)
-	-	-	(9,465)
-	7,153	11,767	18,920
-	7,153	11,767	18,920
-	607,914	950,132	1,558,046
\$ -	\$ 615,067	\$ 961,899	\$ 1,576,966
\$ 11,950	\$ 32,318	\$ 168,517	\$ 459,237
-	-	-	5,978
(11,942)	614,377	817,075	3,030,286
-	-	-	2,606
-	(155,217)	-	(180,488)
-	21,072	14,408	35,480
(8)	-	-	(106)
-	487,450	-	487,450
\$ -	\$ 1,000,000	\$ 1,000,000	\$ 3,840,443

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
AUGUST 31, 2020

	747	748	749	Total Nonmajor Enterprise Funds
	Cyber Cafe	Allied States Cooperative	School Zone / Print Shop	
ASSETS				
Current Assets:				
Due from Other Funds	\$ -	\$ 1,063,786	\$ 911,871	\$ 1,975,657
Other Receivables	-	235,156	410	235,566
Inventories	-	-	33,378	33,378
Total Current Assets	-	1,298,942	945,659	2,244,601
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	-	94,985	12,100	107,085
Depreciation on Furniture and Equipment	-	(9,498)	(12,100)	(21,598)
Total Noncurrent Assets	-	85,487	-	85,487
Total Assets	-	1,384,429	945,659	2,330,088
LIABILITIES				
Current Liabilities:				
Accrued Wages Payable	71	124	-	195
Due to Other Funds	22,534	-	-	22,534
Total Liabilities	22,605	124	-	22,729
NET POSITION				
Net Investment in Capital Assets	-	85,487	-	85,487
Unrestricted Net Position	(22,605)	1,298,818	945,659	2,221,872
Total Net Position	\$ (22,605)	\$ 1,384,305	\$ 945,659	\$ 2,307,359

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, 2020

	747	748	749	Total Nonmajor Enterprise Funds
	Cyber Cafe	Allied States Cooperative	School Zone / Print Shop	
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 575	\$ 1,604,347	\$ 718,479	\$ 2,323,401
Total Operating Revenues	575	1,604,347	718,479	2,323,401
OPERATING EXPENSES:				
Payroll Costs	4,349	343,996	139,650	487,995
Professional and Contracted Services	423	112,474	122,245	235,142
Supplies and Materials	15,356	17,726	438,849	471,931
Other Operating Costs	3,052	17,494	21,125	41,671
Depreciation Expense	-	9,498	-	9,498
Total Operating Expenses	23,180	501,188	721,869	1,246,237
Income (Loss) Before Transfers	(22,605)	1,103,159	(3,390)	1,077,164
Transfers Out	-	(5,419,804)	(2,160,694)	(7,580,498)
Change in Net Position	(22,605)	(4,316,645)	(2,164,084)	(6,503,334)
Total Net Position - September 1 (Beginning)	-	5,700,950	3,109,743	8,810,693
Total Net Position August 31 (Ending)	\$ (22,605)	\$ 1,384,305	\$ 945,659	\$ 2,307,359

REGION 19 EDUCATION SERVICE CENTER
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	747	748	749	Total Nonmajor Enterprise Funds
	Cyber Cafe	Allied States Cooperative	School Zone / Print Shop	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 575	\$ 6,006,355	\$ 2,880,958	\$ 8,887,888
Cash Payments to Employees for Services	(4,278)	(343,872)	(139,650)	(487,800)
Cash Payments for Suppliers	6,755	(130,200)	(559,489)	(682,934)
Cash Payments for Other Operating Expenses	(3,052)	(17,494)	(21,125)	(41,671)
Net Cash Provided by Operating Activities	-	5,514,789	2,160,694	7,675,483
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer Out	-	(5,419,804)	(2,160,694)	(7,580,498)
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	(94,985)	-	(94,985)
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 Provided by Operating Activities:</u>				
Operating Income (Loss):	\$ (22,605)	\$ 1,103,159	\$ (3,390)	\$ 1,077,164
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	-	9,498	-	9,498
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Due from Other Funds	-	4,370,832	2,162,803	6,533,635
Decrease (increase) in Receivables	-	31,176	(324)	30,852
Decrease (increase) in Inventories	-	-	1,605	1,605
Increase (decrease) in Accrued Wages Payable	71	124	-	195
Increase (decrease) in Due to Other Funds	22,534	-	-	22,534
Net Cash Provided by Operating Activities	\$ -	\$ 5,514,789	\$ 2,160,694	\$ 7,675,483

FEDERAL 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, 2020, 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 11, 2020.

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.

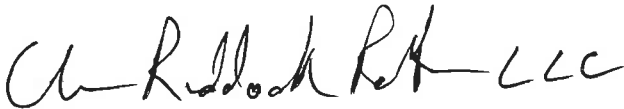
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink, appearing to read "Gibson Ruddock Patterson, LLC". The signature is stylized and cursive.

Gibson Ruddock Patterson, LLC

El Paso, Texas

December 11, 2020

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

To the Board of Directors
Region 19 Education Service Center

Report on Compliance for Each Major Federal Program

We have audited Region 19 Education Service Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Region 19 Education Service Center's major federal programs for the year ended August 31, 2020. Region 19 Education Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal 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 programs for the year ended August 31, 2020.

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

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

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



Gibson Ruddock Patterson, LLC
El Paso, Texas
December 11, 2020

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 Awards

Internal control over major federal award programs:

Were significant deficiencies in internal control over major programs disclosed?

None reported

Were material weaknesses in internal control over major programs disclosed?

No

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

Unmodified

Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a)?

No

Major Federal Programs:

Head Start:
CFDA 93.600

Special Education Cluster:
CFDA 84.027A & 84.173A

Dollar threshold used to distinguish between type A and type B programs:

\$1,584,312

Did auditee qualified as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee?

Yes

REGION 19 EDUCATION SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL 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, 2020

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL 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, 2020

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Health and Human Services</u>			
* Special Education - Grants to States	84.027	53820015272-01	\$ 138,600
Special Education - Grants for Infants & Families	84.181	53820015272-01	727,875
Total Passed Through Texas Health and Human Services			866,475
<u>Passed Through State Department of Education</u>			
ESEA, Title I - School Improvement Facilitation	84.010A	196101547110019	28,183
ESEA, Title I - Comprehensive School Support	84.010A	206101537110019	287,390
ESEA, Title I - Basic Services Initiative	84.010A	206101197110019	56,471
ESEA, Title I - Instructional Leadership Expansion	84.010A	206101457110019	88,886
ESEA, Title I - Comprehensive School Support	84.010A	196101407110019	129,140
Total CFDA Number 84.010A			590,070
ESEA, Title I, Part C - Migratory Children	84.011A	206150027110019	343,893
SSA - ESEA, Title I Part C - Migratory Children	84.011A	19615001071950	12,571
SSA - ESEA, Title I Part C - Migratory Children	84.011A	20615001071950	221,734
Total CFDA Number 84.011A			578,198
* ESC IDEA B - Special FIEP and Charter Support	84.027A	206600570719506000	12,978
* ESC IDEA B - Sensory Impairments	84.027A	206600227110019	62,449
* ESC IDEA B - Access to General Curriculum	84.027A	206600587110019	210,397
* ESC IDEA B - Positive Behavioral Interventions	84.027A	206600597110019	72,824
* ESC IDEA B - ESC Liaison Grant	84.027A	206600657110019	153,208
* ESC IDEA B - Special FIEP and Charter Support	84.027A	206600570719506000	12,440
* ESC IDEA B - Leadership	84.027A	206600567110019	1,206,848
Total CFDA Number 84.027A			1,731,144
* ESC IDEA B - Preschool	84.173A	206610227110019	219,482
Total Special Education Cluster (IDEA)			1,950,626
Career and Technical - Basic Grant - Admin/PBM	84.048A	204200287110074	37,662
Career and Technical- Basic Grant- Perkins Reserve	84.048A	204200107110019	29,230
Career and Technical- TX Ecosystem Design	84.048A	194200637110019	1,927
Career and Technical - Basic Grant - Leadership	84.048A	204200097110019	13,024
SSA - Career and Technical - Basic Grant	84.048A	20420006071950	32,399
SSA - Career and Technical - Perkins Reserve	84.048A	204200287110073	299,855
Total CFDA Number 84.048A			414,097
ESEA, Title X, Part C- ESC Capacity Building Grant	84.196A	194600087110019	24,045
ESEA, Title X, Part C - Homeless Children	84.196A	204600057110029	23,715
Total CFDA Number 84.196A			47,760
GEAR UP	84.334S	185111017110004	39,337
GEAR UP	84.334S	195111017110004	191,255
Total CFDA Number 84.334S			230,592
Title III, Part A - English Language Acquisition	84.365A	206710027110019	34,958
ESEA, Title II, Part A - ESC Technical Assistance	84.367A	196945747110019	640
ESEA, Title II- Instructional Leadership Expansion	84.367A	196945737110019	56,939
Total CFDA Number 84.367A			57,579
Reading Acadamies - Authorized Providers	84.377A	166107387110019	46,832
Title IV, Part A - ESC Technical Assistance	84.424A	196801057110019	28,654
Title IV, Part A - ESC Mental Behavioral Health	84.424A	196801107110019	10,440
Total CFDA Number 84.424A			39,094
ESEA, Title I - Basic Services Initiative	84.999	206000117110019	21,228

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, 2020

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Passed Through State Department of Education			4,011,034
TOTAL U.S. DEPARTMENT OF EDUCATION			4,877,509
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
COVID-19 Head Start	93.600	06CH011070-002C3	2,195,732
Head Start	93.600	06CH011070-01	35,293,161
Head Start	93.600	06CH011070-02	4,765,434
Head Start	93.600	06CH7147-05	2,763,165
Total CFDA Number 93.600			45,017,492
Total Direct Programs			45,017,492
<u>Passed Through Texas Health and Human Services</u>			
Preschool Development	93.434	53820015272-01	24,034
Temporary Assistance for Needy Families	93.558	53820015272-01	536,509
Medicaid Administrative Claiming Program - MAC	93.778	529-11-0040-00027	151,935
Total Passed Through Texas Health and Human Services			712,478
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			45,729,970
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
Child and Adult Care Food Program	10.558	3118	279,478
Child and Adult Care Food Program	10.558	3118	1,598,591
Total CFDA Number 10.558			1,878,069
Education Service Center Child Nutrition	10.560	19-071950	24,248
Education Service Center Child Nutrition	10.560	20-071950	300,588
Total CFDA Number 10.560			324,836
Total Passed Through the State Department of Agriculture			2,202,905
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,202,905
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 52,810,384

*Clustered Programs

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2020

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 awards (the "schedule") includes the federal award activity of the Center under programs of the federal government for the year ended August 31, 2020. 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). Because the schedule presents 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 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 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, 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 AWARDS

YEAR ENDED AUGUST 31, 2020

2. BASIS OF ACCOUNTING (Continued)

Period of Performance

The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 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 - August 2020.

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	Federal CFDA Number	Amount
Early Childhood Intervention	various	\$ 96,305
ESEA I, A Improving Basic Programs	84.010A	39,678
ESEA Title I, Part C - Migrant	84.011A	23,377
SSA ESEA I, - C Migrant	84.011A	13,605
IDEA, Part B - Discretionary	84.027A	117,262
IDEA, Part B - Preschool	84.173A	14,829
ESEA Title X - Education for Homeless Children	84.196A	1,623
Career and Technical - Basic Grant	84.048A	5,501
SSA Career and Technical - Basic Grant	84.048A	1,543
Career and Technical - Perkins Reserve	84.048A	20,318
GEAR UP	84.334S	15,077
ESEA Title II, A - Supporting Effective Instr.	84.367A	3,898
Title IV Mental and Behavioral Health	84.424A	205
Title I - SIP Reading Academies	84.377A	2,230
ESC NCLB/ESSA Support	84.999	1,447
Preschool Development	93.434	1,649
Head Start	93.600	2,861,054
Medicaid Admin. Claim - MAC	93.778	9,771
Child and Adult Care Food Program	10.558	125,877
ESC Child Nutrition	10.560	21,453
Total General Fund federal revenue per Exhibit C-3		<u>\$ 3,376,702</u>

(Continued)

REGION 19 EDUCATION SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2020

4. MATCHING

The Center reported \$14,072,693 in-kind matching to the U.S. Department of Health and Human Services for the Head Start program, grant year 2020 (July 1, 2019 to June 30, 2020). Additionally, the Center reported \$37,662 matching funds for the Career and Technical Administration Grant and \$191,255 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 \$79,741 for the year ended August 31, 2020.