

REGION 16 EDUCATION SERVICE CENTER

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

REGION 16 EDUCATION SERVICE CENTER

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

REGION 16 EDUCATION SERVICE CENTER

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020**

Board of Directors:

David Schaeffer, Chairman

Kathleen Morris, Vice Chairman

Dr. Darrell Garrison, Secretary

Lawrence Bussard

Ken Carriere

Joe Martinez

Justin T. Smith

Executive Director:

Ray Cogburn

REGION 16 EDUCATION SERVICE CENTER

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

Region 16 Education Service Center
Name of Service Center

Potter
County

188-950
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named 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 Service Center on the 15th day of January, 2021.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of Directors
Region 16 Education Service Center
Amarillo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business activities, each major fund, and the aggregate remaining fund information of Region 16 Education Service Center (the Center), as of and for the year ended August 31, 2020, and related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business activities, each major fund, and the aggregate remaining fund information of Region 16 Education Service Center, as of August 31, 2020, and the respective changes in financial position and, where applicable, the 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 on pages 4-10, budgetary comparison information on page 49, and pension and other postemployment benefit (OPEB) liability information on pages 50-55 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Region 16 Education Service Center's basic financial statements. The other supplementary information, comprised of the combining balance sheet and statement of revenues, expenditures and changes in fund balance for all non-major governmental funds, combining statement of net position and changes in net position and cash flows for all proprietary funds, 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 (SEFA), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2021, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 5, 2021

**REGION 16 EDUCATION SERVICE CENTER
MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of Region 16 Education Service Center’s annual financial report presents our discussion and analysis of the Center’s financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the Center’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

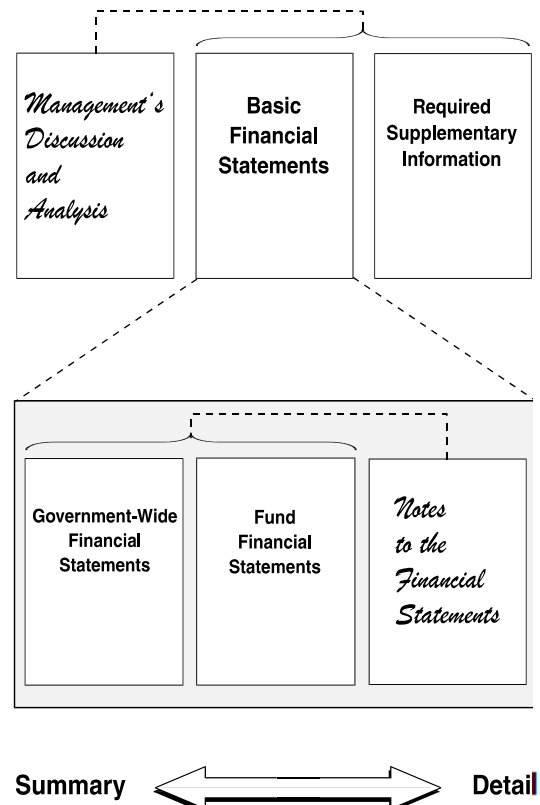
- The Center ended the year, August 31, 2020, with total net position (deficit) of (\$8,159,280), including unrestricted net position (deficit) of (\$20,609,483). The balance of cash and investments at August 31, 2020, was \$7,774,924.
- The net position (deficit) of the Center includes its proportionate share of the State’s net pension and other post-retirement benefit obligation liabilities which are not in control of the Center. Excluding these components, the Center’s total net position would be \$18.7 million.
- During the year, the Center generated \$37.5 million in grants, charges and other revenues for governmental activities. In comparison to the prior year, revenues increased 2.2%, or approximately \$820,000 and expenses increased 2.3%, or approximately \$846,000.
- The general fund reported a fund balance this year of \$6.7 million. This was an increase of approximately \$1 million (18.3%). The total governmental fund balance for the Center increased approximately \$1 million (14.3%).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Center’s government (except fiduciary funds) and the Center’s component units	The activities of the Center that are not proprietary or fiduciary	Activities the center operates similar to private businesses: wide area network	Instances in which the Center is the trustee or agent for someone else’s resources
Required financial statements	♦ Statement of net position	♦ Balance sheet	♦ Statement of net position	♦ Statement of fiduciary net position
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in net position ♦ Statement of cash flows	♦ Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

- Over time, increases or decreases in the Center’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Center, you need to consider additional non-financial factors such as changes in the Center’s client base or legislation that affects the Center.
- The Statement of Activities reflects services such as instructional, administrative, data processing, technology, special education, head start, early childhood and general administration. Charges for services and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Center’s most significant *funds*—not the Center as a whole. Funds are accounting devices that the Center uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law. The Administration establishes other funds to control and manage money for particular purposes or to show that it is properly using certain fees and grants.

The Center has three kinds of funds:

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

- *Proprietary funds*—Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

The Center uses *internal service funds* to report activities that provide supplies and services for the Center’s other programs and activities—such as the print shop as well as an *enterprise fund* to report activities related to the purchasing coop.

- *Fiduciary funds*—The Center is the trustee, or *fiduciary*, for certain funds. The Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Center’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Center’s government-wide financial statements because the Center cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

Our analysis focuses on the net position and changes in net position of the Center’s governmental activities.

Net position: The Center’s *combined* net deficit increased approximately \$305,000 between fiscal years 2019 and 2020 to approximately \$8.2 million (see Table A-1).

Total assets increased by 8.6%, or about \$1.6 million, while total liabilities decreased by 3.7%, or about \$1 million. The majority of this decrease in liabilities was attributable to decreases in the Center’s proportionate share of the Pension and OPEB liabilities due to the change in actuarial assumptions.

Our analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the Center’s governmental and business-type activities.

Table A-1
Region 16 Education Service Center
NET POSITION
(in thousands of dollars)

	Governmental Activities 2020	Governmental Activities 2019	Total % Change
<u>Assets:</u>			
Current and Other Assets	\$ 10,495.8	\$ 8,659.8	21.2%
Capital Assets	9,637.1	9,881.8	-2.5%
Total Assets	\$ 20,132.9	\$ 18,541.6	8.6%
<u>Deferred Outflows of Resources:</u>			
Deferred Outflows Related to Pension/OPEB Liabilities	\$ 6,351.5	\$ 6,764.7	-6.1%
Total Deferred Outflows of Resources	\$ 6,351.5	\$ 6,764.7	-6.1%
<u>Liabilities:</u>			
Current Liabilities	\$ 976.3	\$ 691.1	41.3%
Unearned Revenues	412.2	5.1	7982.4%
Long Term Liabilities	24,491.2	26,181.3	-6.5%
Total Liabilities	\$ 25,879.7	\$ 26,877.5	-3.7%
<u>Deferred Inflows of Resources:</u>			
Deferred Inflows Related to Pension/OPEB Liabilities	\$ 8,764.0	\$ 6,282.9	39.5%
Total Deferred Inflows of Resources	\$ 8,764.0	\$ 6,282.9	39.5%
<u>Net Position:</u>			
Net Investment in Capital Assets	\$ 9,637.1	\$ 9,881.8	-2.5%
Restricted	2,813.1	1,974.5	42.5%
Unrestricted	(20,609.5)	(19,710.4)	-4.6%
Total Net Position (Deficit)	\$ (8,159.3)	\$ (7,854.1)	-3.9%

Changes in net position: The Center's total revenues increased 2.2% to \$37.5 million (see Table A-2). The majority of the Center's revenues, 70.1%, came from grants while 29.0% related to charges for services. (See Figure A-3).

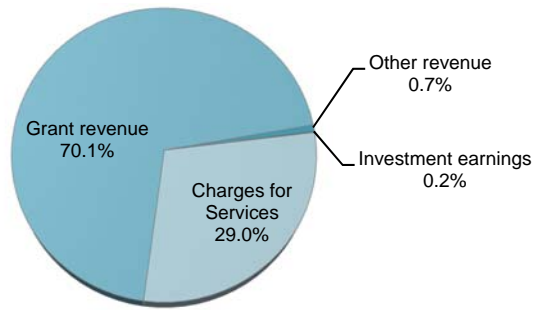
The total cost of all programs and services increased 2.3% to \$37.8 million. The majority of these costs, 44.3%, were for services related to instruction; curriculum and staff development; and, school district administrative support. Another 19.5% of these costs were for payments to member districts of shared service arrangements.

- The Center's revenues generated by charging for services increased 5.1%, or approximately \$528,000 from the prior year.
- The Center's revenues from grants and contributions increased 1.7%, or approximately \$427,800 million from the prior year.
- The Center's total expenditures for governmental activities increased approximately 2.3%, or \$846,000 from the prior year.

Table A-2
Region 16 Education Service Center
CHANGES IN NET POSITION
(in thousands of dollars)

	Governmental Activities 2020	Governmental Activities 2019	Total % Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 10,892.7	\$ 10,364.7	5.1%
Operating Grants and Contributions	26,298.2	25,870.4	1.7%
General Revenues:			
Grants and Contributions not Restricted		10.4	-100.0%
Investment Earnings	71.2	129.3	-44.9%
Miscellaneous Revenues	243.9	310.9	-21.6%
Total Revenue	<u>\$ 37,506.0</u>	<u>\$ 36,685.7</u>	<u>2.2%</u>
Expenses:			
Instruction	\$ 4,910.7	\$ 5,279.3	-7.0%
Instructional Resources and Media Services	28.3	44.1	-35.8%
Curriculum and Staff Development	5,336.7	5,512.2	-3.2%
Instructional Leadership	1,662.0	1,527.2	8.8%
School Leadership	179.8	182.1	-1.3%
Guidance, Counseling and Evaluation Services	5.6		
Social Work Services	332.6	317.2	4.9%
Health Services	244.2	224.3	8.9%
Food Services	228.0	345.9	-34.1%
General Administration	2,173.6	1,989.6	9.2%
Facilities Maintenance and Operations	2,269.7	2,251.2	0.8%
Security and Monitoring Services	0.7	3.2	-78.1%
Data Processing Services	4,495.9	3,985.1	12.8%
Community Services	2,064.6	2,049.5	0.7%
School District Administrative Support (ESC)	6,507.7	5,811.3	12.0%
Payments Related to Shared Service Arrangements	7,371.1	7,443.4	-1.0%
Total Expenses	<u>\$ 37,811.2</u>	<u>\$ 36,965.6</u>	<u>2.3%</u>
Increase (Decrease) in Net Position Before Transfers	<u>\$ (305.2)</u>	<u>\$ (279.9)</u>	<u>-9.0%</u>

Figure A-3 Sources of Revenue For Fiscal Year 2020



FINANCIAL ANALYSIS OF THE CENTER’S FUNDS

As the Center completed the year, the governmental fund balances reported a combined fund balance of \$8.7 million, about \$1 million more than the prior year. The revenues from governmental fund types totaled \$36.6 million, an increase of approximately \$171,500, or 0.5%, from the preceding year.

Local revenues increased approximately \$397,000, to \$11.1 million. This increase was primarily due to increases in services to member districts.

State revenues increased approximately \$469,300, to \$3.2 million. This increase was primarily due to receiving more from state funded grants.

Federal revenues decreased approximately \$694,800, to \$22.3 million. This decrease was primarily due to decreased revenues in the Head Start SSA program net of increases and decreases in other programs.

General Fund Budgetary Highlights

Over the course of the year, the Center amended its budget several times. There were no significant revisions.

After the budget amendments, actual expenditures were approximately \$605,800, or about 4.8%, below final budget amounts. Revenues available were approximately \$86,900, or about 0.7%, above the final budgeted amount.

Long-Term Liabilities

The only long-term liability recognized by the Center are liabilities associated with the Center’s proportionate share of pension and OPEB liabilities. Those balances are listed below and described in detail in the Notes to the Financial Statements.

Table A-3		
Region 16 Education Service Center		
LONG-TERM LIABILITIES		
<i>(in thousands of dollars)</i>		
	2020	2019
Net Pension Liability	\$ 10,809.6	\$ 11,623.3
Net OPEB Liability	13,681.6	14,558.0
Total Long-Term Liabilities	\$ 24,491.2	\$ 26,181.3

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Center will receive approximately \$772,701 in additional Head Start funding. Head Start also received \$1,137,730 in COVID funds. In addition, the Center will receive up to an additional \$107,686 in ECI funding.

The Center will experience increases in TEA grant funding for the following programs:

- \$62,500 in additional Title 1 ESC Comprehensive School Support funding
- \$53,859 in additional funding to establish READ academies
- \$173,800 in additional TIL (Texas Instructional Leadership Lead) funding

The Center received new funding from TEA for the following programs:

- \$ 50,000 COVID Recovery Instructional Materials Support Initiative (CRIMSI) grant
- \$ 71,977 for Title I Parent and Family Engagement grant
- \$100,000 for ESC ESSER grant
- \$114,176 ESC ESSA Basic Services-Title IV grant
- 500,000 PFE Council Statewide Training grant

The Center will experience approximately a \$285,000 decrease in revenue for contracted services.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, grantors and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Center's Business Office.

BASIC FINANCIAL STATEMENTS

REGION 16 EDUCATION SERVICE CENTER

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2020

Data Control Codes		Primary Government		Total
		Governmental Activities	Business- Type Activities	
	ASSETS AND OTHER DEBITS:			
1110	Cash in Bank	\$ 3,454,584	\$ 15,876	\$ 3,470,460
1120	Temporary Investments	4,320,340		4,320,340
	Receivables:			
1240	Due from Other Governments	2,108,752	35,544	2,144,296
1260	Internal Balances	65,394	(65,394)	
1290	Other Receivables	214,109	20,403	234,512
1300	Inventories	66,372		66,372
1410	Prepayments	266,255	1,800	268,055
	Capital Assets:			
1510	Land	670,303		670,303
1520	Buildings, Net	7,657,863		7,657,863
1530	Furniture and Equipment, Net	1,308,919		1,308,919
1000	Total Assets	<u>\$ 20,132,891</u>	<u>\$ 8,229</u>	<u>\$ 20,141,120</u>
	DEFERRED OUTFLOWS OF RESOURCES:			
1705	Deferred Outflows Related to Pension Liability	\$ 4,702,274	\$	\$ 4,702,274
1706	Deferred Outflows Related to OPEB Liability	1,649,264		1,649,264
	Total Deferred Outflows of Resources	<u>\$ 6,351,538</u>	<u>\$ 0</u>	<u>\$ 6,351,538</u>
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts Payable	\$ 292,898	\$ 1,758	\$ 294,656
2150	Payroll Deductions Payable	4,859		4,859
2160	Accrued Wages Payable	85,157		85,157
2180	Due to Other Governments	593,336	6,471	599,807
2300	Unearned Revenue	412,224		412,224
2540	Net Pension Liability	10,809,563		10,809,563
2545	Net OPEB Liability	13,681,623		13,681,623
2000	Total Liabilities	<u>\$ 25,879,660</u>	<u>\$ 8,229</u>	<u>\$ 25,887,889</u>
	DEFERRED INFLOWS OF RESOURCES:			
2605	Deferred Inflows Related to Pension Liability	\$ 2,395,912	\$	\$ 2,395,912
2606	Deferred Inflows Related to OPEB Liability	6,368,137		6,368,137
	Total Deferred Inflows of Resources	<u>\$ 8,764,049</u>	<u>\$ 0</u>	<u>\$ 8,764,049</u>
	NET POSITION:			
3200	Net Investment in Capital Assets	\$ 9,637,085	\$	\$ 9,637,085
3890	Restricted for Other Purposes	2,813,118		2,813,118
3900	Unrestricted Net Position (Deficit)	(20,609,483)		(20,609,483)
3000	Total Net Position (Deficit)	<u>\$ (8,159,280)</u>	<u>\$ 0</u>	<u>\$ (8,159,280)</u>

The accompanying notes are an integral part of this statement.

-12-
REGION 16 EDUCATION SERVICE CENTER

Exhibit B-1

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	Functions	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Total Governmental Activities	7 Business-Type Activities	8 Total
GOVERNMENTAL ACTIVITIES							
0011	Instruction	\$ 4,910,739	\$ 637,804	\$ 3,833,307	\$ (439,628)		\$ (439,628)
0012	Instructional Resources & Media	28,309	34,145	3,183	9,019		9,019
0013	Curriculum & Instructional Staff Dev.	5,336,677	1,598,722	3,711,478	(26,477)		(26,477)
0021	Instructional Leadership	1,662,057	259,189	1,209,626	(193,242)		(193,242)
0023	School Leadership	179,803		167,311	(12,492)		(12,492)
0031	Guidance, Counseling & Evaluation	5,578		5,578	0		0
0032	Social Work Services	332,644		310,930	(21,714)		(21,714)
0033	Health Services	244,169	37	228,897	(15,235)		(15,235)
0035	Food Services	227,980		227,980	0		0
0041	General Administration	2,173,650	45,707	1,263,265	(864,678)		(864,678)
0051	Facilities Maintenance and Operations	2,269,681	1,721,694	986,416	438,429		438,429
0052	Security & Monitoring Services	684		644	(40)		(40)
0053	Data Processing Services	4,495,922	4,583,330	650,731	738,139		738,139
0061	Community Services	2,064,599	9,062	1,997,497	(58,040)		(58,040)
0062	School District Administrative Support	6,507,665	1,993,927	4,330,202	(183,536)		(183,536)
0093	Payments to Fiscal Agents/Members	7,371,158	9,127	7,371,157	9,126		9,126
TG	Total Governmental Activities	\$ 37,811,315	\$ 10,892,744	\$ 26,298,202	\$ (620,369)	\$ 0	\$ (620,369)
BUSINESS-TYPE ACTIVITIES							
0001	Enterprise Funds - Locally Defined	344,837	423,522			78,685	78,685
TP	Total Primary Government	\$ 38,156,152	\$ 11,316,266	\$ 26,298,202	\$ (620,369)	\$ 78,685	\$ (541,684)

Data Control Codes	General Revenues:			
IE	Investment Earnings		\$ 71,237	\$ 71,237
MI	Miscellaneous Local and Intermediate Revenue		165,221	165,221
FR	Transfers		78,685	(78,685)
TR	Total General Revenues, Special Items, and Transfers		\$ 315,143	\$ (78,685) \$ 236,458
CN	Change in Net Position		\$ (305,226)	\$ 0 \$ (305,226)
NB	Net Position (Deficit) - Beginning		(7,854,054)	0 (7,574,062)
NE	Net Position (Deficit) - Ending		\$ (8,159,280)	\$ 0 \$ (7,879,288)

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		Major Funds			Other Governmental Funds	Total Governmental Funds
		General Fund	SSA Head Start	EDNET16		
ASSETS AND OTHER DEBITS:						
1110	Cash in Bank	\$ 2,474,382	\$	\$ 130,705	\$ 564,904	\$ 3,169,991
1120	Temporary Investments	3,012,361		1,307,979		4,320,340
	Receivables:					
1240	Due from Other Governments	442,971	803,762		831,706	2,078,439
1260	Due from Other Funds	937,368				937,368
1290	Other Receivables	212,933			1,100	214,033
1410	Prepayments	119,513		72,928		192,441
1000	Total Assets	<u>\$ 7,199,528</u>	<u>\$ 803,762</u>	<u>\$ 1,511,612</u>	<u>\$ 1,397,710</u>	<u>\$ 10,912,612</u>
LIABILITIES:						
	Current Liabilities:					
2110	Accounts Payable	\$ 64,520	\$ 89,125	\$	\$ 50,003	\$ 203,648
2150	Payroll Deductions Payable	4,859				4,859
2160	Accrued Wages Payable	2,474	35,442		46,893	84,809
2170	Due to Other Funds		137,236		734,738	871,974
2180	Due to Other Governments	6,515	541,959		44,862	593,336
2300	Unearned Revenue	407,720			4,504	412,224
2000	Total Liabilities	<u>\$ 486,088</u>	<u>\$ 803,762</u>	<u>\$ 0</u>	<u>\$ 881,000</u>	<u>\$ 2,170,850</u>
FUND BALANCES:						
	Nonspendable Fund Balance:					
3430	Prepaid Items	\$ 119,513	\$	\$	\$	\$ 119,513
	Restricted Fund Balance:					
3490	Other Restricted			1,511,612	516,710	2,028,322
	Committed Fund Balance:					
3510	Capital Improvements	784,796				784,796
3545	Other Committed	1,200,958				1,200,958
3600	Unassigned Fund Balance	4,608,173				4,608,173
3000	Total Fund Balances	<u>\$ 6,713,440</u>	<u>\$ 0</u>	<u>\$ 1,511,612</u>	<u>\$ 516,710</u>	<u>\$ 8,741,762</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,199,528</u>	<u>\$ 803,762</u>	<u>\$ 1,511,612</u>	<u>\$ 1,397,710</u>	<u>\$ 10,912,612</u>

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2020

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 8,741,762
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$18,297,242 and the accumulated depreciation was (\$8,947,042). The net effect of including these balances of capital assets (net of depreciation) is to increase net position.	9,350,200
2	The Center uses internal service funds to charge the costs of certain activities to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	652,455
3	Included in the items related to debt is the recognition of the Center's proportionate share of the net pension liabilities required by GASB 68 in the amount of (\$10,809,563) and deferred resource inflows and outflows related to this liability in the amounts of (\$2,395,912) and \$4,702,274, respectively. This amounted to a decrease in net position.	(8,503,201)
4	The recognition of the Center's proportionate share of the net other post-employment benefit liability is required by GASB 75. This recognition included net OPEB liability of (\$13,681,623) and deferred resource inflows and outflows of (\$6,368,137) and \$1,649,264, respectively. This amounted to a decrease in net position.	<u>(18,400,496)</u>
19	Total Net Position (Deficit) of Governmental Activities (Exhibit A-1)	\$ <u><u>(8,159,280)</u></u>

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Major Funds			Other Governmental Funds	Total Governmental Funds	
	General Fund	SSA Head Start	EDNET16			
REVENUES:						
5700	Local and Intermediate Sources	\$ 9,737,385	\$	\$ 33,286	\$ 1,358,531	\$ 11,129,202
5800	State Program Revenues	2,250,856			903,861	3,154,717
5900	Federal Program Revenues	962,271	12,356,339		8,956,482	22,275,092
5020	Total Revenues	\$ 12,950,512	\$ 12,356,339	\$ 33,286	\$ 11,218,874	\$ 36,559,011
EXPENDITURES:						
0011	Instruction	\$ 64,160	\$ 227,306	\$	\$ 4,042,562	\$ 4,334,028
0012	Instructional Resources & Media	28,309				28,309
0013	Curriculum & Instructional Staff Dev.	2,005,437	1,087,100		1,732,212	4,824,749
0021	Instructional Leadership	149,034	647,502		657,056	1,453,592
0023	School Leadership				158,303	158,303
0031	Guidance, Counseling & Evaluation				5,578	5,578
0032	Social Work Services				295,272	295,272
0033	Health Services		9,373		208,575	217,948
0035	Food Services				227,980	227,980
0041	General Administration	2,003,886				2,003,886
0051	Facilities Maintenance and Operations	1,431,533	323,045		487,992	2,242,570
0052	Security & Monitoring Services				644	644
0053	Data Processing Services	3,961,535		78,795	110,349	4,150,679
0061	Community Services		1,967,166		36,581	2,003,747
0062	School District Administrative Support	1,893,122	1,435,334		2,457,836	5,786,292
0081	Facilities Acquisition and Construction	400,167				400,167
0093	Payments to Fiscal Agents/Members		6,659,513		711,645	7,371,158
6030	Total Expenditures	\$ 11,937,183	\$ 12,356,339	\$ 78,795	\$ 11,132,585	\$ 35,504,902
1100	Excess of Revenues Over Expenditures	\$ 1,013,329	\$ 0	\$ (45,509)	\$ 86,289	\$ 1,054,109
OTHER FINANCING SOURCES:						
7912	Sale of Personal Property	\$ 250	\$	\$	\$	\$ 250
7915	Transfers In	78,685			13,000	91,685
8911	Transfers Out	(53,000)				(53,000)
7080	Total Other Financing Sources	\$ 25,935	\$ 0	\$ 0	\$ 13,000	\$ 38,935
1200	Net Change in Fund Balance	\$ 1,039,264	\$ 0	\$ (45,509)	\$ 99,289	\$ 1,093,044
0100	September 1 - Fund Balance	5,674,176	0	1,557,121	417,421	7,648,718
3000	August 31 - Fund Balance	\$ 6,713,440	\$ 0	\$ 1,511,612	\$ 516,710	\$ 8,741,762

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3) \$ 1,093,044

Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net of adjustments. (223,257)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit D-2). 29,186

The implementation of GASB 68 required the recognition of certain expenditures related to the recognition of the net pension liability. The result of this activity causes an increase to the change in net position. (1,111,668)

The implementation of GASB 75 required the recognition of certain expenditures related to the recognition of the net OPEB liability. The result of this activity causes a decrease to the change in net position. (92,531)

Change in Net Position of Governmental Activities (Exhibit B-1) \$ (305,226)

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

	<u>Business-Type Activities</u> Enterprise Fund	<u>Governmental Activities</u> Internal Service Funds
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 15,876	\$ 284,593
Due From Other Governments	35,544	30,313
Other Receivables	20,403	76
Inventories		66,372
Prepayments	<u>1,800</u>	<u>73,814</u>
Total Current Assets	\$ <u>73,623</u>	\$ <u>455,168</u>
Noncurrent Assets:		
Furniture and Equipment	\$	\$ 1,727,835
Accumulated Depreciation		<u>(1,440,950)</u>
Total Noncurrent Assets	\$ <u>0</u>	\$ <u>286,885</u>
Total Assets	\$ <u>73,623</u>	\$ <u>742,053</u>
LIABILITIES:		
Accounts Payable	\$ 1,758	\$ 89,250
Accrued Wages Payable		348
Due to Other Funds	65,394	
Due to Other Governments	<u>6,471</u>	
Total Liabilities	\$ <u>73,623</u>	\$ <u>89,598</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 0	\$ 286,885
Unrestricted Net Position	<u>0</u>	<u>365,570</u>
Total Net Position	\$ <u><u>0</u></u>	\$ <u><u>652,455</u></u>

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES		
Charges to Other Funds	\$	\$ 2,189,831
Other Revenue	423,522	38,881
Total Revenues	<u>\$ 423,522</u>	<u>\$ 2,228,712</u>
OPERATING EXPENSES		
Payroll Costs	\$ 178,678	\$ 885,398
Professional and Contracted Services	16,428	949,104
Supplies and Materials	3,557	208,733
Other Operating Expenses	146,174	66,994
Depreciation		129,297
Total Expenses	<u>\$ 344,837</u>	<u>\$ 2,239,526</u>
Income (Loss) Before Transfers	\$ 78,685	\$ (10,814)
Transfer In		40,000
Transfer Out	<u>(78,685)</u>	
Change in Net Position	\$ 0	\$ 29,186
Net Position - September 1 (Beginning)	<u>0</u>	<u>623,269</u>
Net Position - August 31 (Ending)	<u>\$ 0</u>	<u>\$ 652,455</u>

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit D-3

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash Flows From Operating Activities		
Charges to Users	\$ 428,246	\$ 12,509
Assessments (Payments) to Other Funds	(13,291)	2,190,139
Transfers from Other Funds	(178,678)	40,000
Payments to Employees for Services	(16,428)	(885,119)
Payments for Contracted Services	(57,811)	(949,104)
Payments to Suppliers	(146,174)	(181,337)
Payments for Other Operating Expenses		<u>(66,994)</u>
Net Cash From Operating Activities	<u>\$ 15,864</u>	<u>\$ 160,094</u>
Cash Flows From Investing Activities		
Capital Expenditures	<u>\$</u>	<u>\$ (107,878)</u>
Net Cash From Investing Activities	<u>\$ 0</u>	<u>\$ (107,878)</u>
Net Change in Cash	\$ 15,864	\$ 52,216
Cash and Cash Equivalents at Beginning of the Year	<u>12</u>	<u>232,377</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,876</u>	<u>\$ 284,593</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income	\$ 0	\$ 29,186
Changes in Assets and Liabilities		
Change in Due from Other Governments	6,276	(26,842)
Change in Other Receivables	(1,552)	778
Change in Inventories		19,142
Change in Prepaid Expenses	3,354	(52,578)
Change in Accounts Payable and Other Liabilities	1,327	61,111
Change in Due to Other Funds	(12)	
Change in Due to Other Governments	6,471	
Depreciation		<u>129,297</u>
Net Cash From Operating Activities	<u>\$ 15,864</u>	<u>\$ 160,094</u>

The accompanying notes are an integral part of this statement.

REGION 16 EDUCATION SERVICE CENTER

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2020

	<u>Agency Funds</u>
ASSETS:	
Cash and Temporary Investments	\$ 78,769
Due from Other Governments	<u>60</u>
Total Assets	\$ <u>78,829</u>
LIABILITIES:	
Accounts Payable	\$ 218
Due to Other Governments	<u>78,611</u>
Total Liabilities	\$ <u>78,829</u>
NET POSITION:	
Unrestricted Net Position	\$ <u><u>0</u></u>

The accompanying notes are an integral part of the financial statements.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Region 16 Education Service Center (the Center) prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The Center also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Center are described below.

A. REPORTING ENTITY

The Board of Directors (the Board), a seven-member group, has governance responsibilities over all activities related to education services within the jurisdiction of the Center. The Board is elected by school board delegates of its region. The Board has the authority to make decisions, appoint the executive director, significantly influence operations, and has the primary accountability for fiscal matters. The Center is not included in any other governmental "reporting entity" as defined in Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity.

The Center receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the Center. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities).

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or statement of net position. However, the Center has no long-term debt to report.

These government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net position, and as other resources and other uses on the governmental fund statement of revenues, expenditures, and changes in fund balance and on the proprietary fund statement of revenues, expenses, and changes in net position. All interfund transactions between governmental funds and the internal service fund are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds, if any, remain as due to/due from on the government-wide statement of net position.

The Center reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of charges for services. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues including EDNET16 revenues are accrued when calculated and billed to the all districts. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Center applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses would be non-operating.

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

GOVERNMENTAL FUND TYPES

The Center reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and unassigned fund balances are considered resources available for current operations.

Major Special Revenue Funds – SSA Head Start and EDNET16 are reported as major funds and are accounted for as described below.

Additionally, the Center reports the following fund types:

Other Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except in limited circumstances, any unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds.

PROPRIETARY FUND TYPES

Internal Service Funds – Internal service funds are used to account for revenues and expenses related to services provided to parties inside the Center, specifically for the operation of its building activities, printing, and computer services.

Enterprise Fund – The enterprise fund is used to account for the Center's Purchasing Coop. The Center establishes its own pricing policies for this coop designed to make a profit.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

FIDUCIARY FUNDS

Agency Funds – The Center uses Agency Funds to account for funds held on behalf of other organizations. These funds have no revenue, expenditures or equity, and the Center does not budget for them.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include: buildings and improvements, furniture and equipment, vehicles, and work in progress, are reported in the government-wide financial statements. Capital assets are defined by the Center as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as unearned revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the Center to refund all or part of the unused amount. Other accounts receivable are recognized when billed.

Supplies and materials are debited to expenditures when purchased.

It is the Center's policy to permit some employees to accumulate earned but unused sick pay benefits. No amounts are paid to employees upon retirement. Therefore, these amounts are not reflected in the Center's financial statements.

Since internal service funds support the operations of 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 overstating the revenues and expenses of the Center as a whole.

In the event that the Center incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FASRG, the Center has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the 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 Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund. The remaining special revenue funds adopt project-length budgets, which do not correspond to the Center's fiscal year.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

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

- a. Prior to August 20 of the preceding fiscal year, 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.
- b. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level for the general fund as a whole and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact and they are reflected in the official minutes of the Board. During the year, several amendments were necessary in several functions.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2020.

F. FUND EQUITY

The Center has adopted GASB Statement 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-Spendable – Portion of fund balance that is not in spendable form or is legally or contractually required to be maintained intact, such as prepayments.

Restricted – Portion of fund balance that is constrained for specific purposes because of restrictions by third parties (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Portion of fund balance that is constrained for specific purposes by the highest level of decision making authority (Board of Directors). Only this same authority can un-commit funds.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator.

Unassigned – Amounts not included in other classifications.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Center considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

The Board has adopted a fund balance policy stating the following: The Guidance Document for Regional Education Service Centers establishes an unassigned fund balance limitation. As part of the development of the proposed annual budget, the executive team shall review the amount of unassigned fund balance to ensure compliance with this document.

The Center's Board of Directors has committed \$1,985,754 of the General Fund's fund balance for future capital improvements and other commitments.

The Center administers the special revenue fund entitled EDNET16. The excess of revenues received, including Region 16 Education Service Center's share of wealth equalization agreements, over expenditures incurred related to the consortiums is reported as restricted fund balance and amounted to \$1,511,612. In addition, the Center administers other special revenue funds which obtain funding from the member districts as well as registration fees from others that maintain a fund balance. The amount of restricted fund balance related to these funds totaled \$516,710 at August 31, 2020.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – This component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Other Purposes – This component of net position represents amounts restricted for specific purposes. This includes the balance in EDNET16 and other special revenue funds.

Unrestricted – The difference between assets and liabilities that are not reported in Net Position Net Investment in Capital Assets.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

H. PENSIONS

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

J. MANAGEMENT'S USE OF ESTIMATES

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

K. CASH AND CASH EQUIVALENTS – PROPRIETARY FUNDS

For purposes of the statement of cash flows for proprietary fund types, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) (the Act) 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, and (9) bid solicitation preferences for certificates of deposit.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

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, and (10) 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. The Center is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the Center has adopted deposit and investment policies.

- a. *Custodial Credit Risk* – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The Center's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The Center is not exposed to custodial credit risk for its deposits, and investments in certificates of deposit are all covered by depository insurance and pledged securities held by a third party in the Center's name.
- b. *Concentration of Credit Risk* – The investment policy of the Center contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2020, all of the Center's investments are in accounts with its depository bank and are completely covered by pledged securities as described in the preceding paragraph.
- c. *Credit Risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. In addition, as of August 31, 2020, the Center's investments in TexPool and Lone Star investment pools were both rated AAA-m by Standard and Poor's.
- d. *Interest Rate Risk* – The risk that changes in interest rates will adversely affect the fair value of investments. The Center requires the investment portfolio to have maturities of not more than one year to limit this risk.
- e. *Foreign Currency Risk* – The risk that changes in exchange rates will adversely affect the fair value of an investment. The Center does not invest in foreign currency.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

The carrying amount of the Center’s cash and temporary investments at August 31, 2020, approximates fair value and consisted of the following shown below:

	<u>Amount</u>	<u>Percent</u>	<u>Maturity in Less than 1 Year</u>	<u>Credit Rating</u>
Cash in Bank	\$ 3,549,229	45.1%	\$ 3,549,229	N/A
TexPool Investments	2,063,490	26.2%	2,063,490	AAAm
Lone Star Investment Pool	2,256,850	28.7%	2,256,850	AAAm
	<u>\$ 7,869,569</u>	<u>100.0%</u>	<u>\$ 7,869,569</u>	
Total Cash and Temporary Investments				
Statement of Net Position	\$ 7,790,800			
Statement of Fiduciary Net Position	<u>78,769</u>			
	<u>\$ 7,869,569</u>			

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The Center’s investment in Pools are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

The Center’s investment in Investment Pools include Lone Star Investment Pool and TexPool Participant Services. Lone Star Investment Pool’s regulatory oversight agent is the Texas Association of School Boards (TASB) and their credit risk rating is AAA-m. Their financial reports may be obtained by writing TASB, Inc., P.O. Box 400, Austin, TX 78767-0400. TexPool Participant Services’ regulatory oversight agent is the Texas Treasury SafeKeeping Trust Company and their credit rating AAA-m. Their financial reports may be obtained by writing Lehman Brothers, Inc., 111 Bagby, Suite 2350, Houston, TX 77002.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY TAXES

The Center does not assess or collect property taxes.

4. DUE FROM OTHER GOVERNMENTS

The due from other governments represents amounts due from Texas Education Agency and others for various federal and state projects as well as amounts receivable from member districts for services. Due from other governments is reported as follows:

	<u>Due from Local Governments</u>	<u>Due from State</u>	<u>Due from Federal</u>	<u>Total</u>
General Fund	\$ 344,618	\$ 98,353	\$	\$ 442,971
Special Revenue Funds	<u>121,881</u>	<u>818,441</u>	<u>695,146</u>	<u>1,635,468</u>
Total Receivable Reported on Exhibit C-1	\$ 466,499	\$ 916,794	\$ 695,146	\$ 2,078,439
Internal Service Funds	<u>30,313</u>			<u>30,313</u>
Total Receivable Reported as Governmental Activities on Exhibit A-1	\$ 496,812	\$ 916,794	\$ 695,146	\$ 2,108,752
Enterprise Fund	<u>35,544</u>			<u>35,544</u>
Total Receivable Reported on Exhibit A-1	<u>\$ 532,356</u>	<u>\$ 916,794</u>	<u>\$ 695,146</u>	<u>\$ 2,144,296</u>

5. INTERFUND RECEIVABLES AND PAYABLES

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

	<u>General Funds</u>	<u>Special Revenue Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
Due from Other Funds	\$ 937,368	\$	\$	\$ 937,368
Due to Other Funds	\$	\$ 871,974	\$ 65,394	\$ 937,368

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity, including those used for governmental activities and those used in internal service funds, for the year ended August 31, 2020, was as follows:

	<u>9/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/Adj</u>	<u>8/31/2020</u>
Capital Assets:					
Land	\$ 670,303	\$	\$	\$	\$ 670,303
Building and Improvements	12,631,338	400,167		3,554	13,035,059
Furniture and Equipment	6,194,439	208,850	83,574		6,319,715
Construction Work in Progress	3,554			(3,554)	0
	<u>\$ 19,499,634</u>	<u>\$ 609,017</u>	<u>\$ 83,574</u>	<u>\$ 0</u>	<u>\$ 20,025,077</u>
Accumulated Depreciation:					
Buildings and Improvements	\$ 4,974,139	\$ 403,057	\$	\$	\$ 5,377,196
Furniture and Equipment	4,643,734	449,367	82,305		5,010,796
	<u>\$ 9,617,873</u>	<u>\$ 852,424</u>	<u>\$ 82,305</u>	<u>\$ 0</u>	<u>\$ 10,387,992</u>
Total Net Value of Capital Assets	<u>\$ 9,881,761</u>	<u>\$ (243,407)</u>	<u>\$ 1,269</u>	<u>\$ 0</u>	<u>\$ 9,637,085</u>
Proceeds			(250)		
Net Loss on Retirement			<u>\$ 1,019</u>		

Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15-50 years
Furniture and Equipment	5-20 years
Vehicles	7 years

Depreciation expense for assets used in governmental activities and net loss on assets retired were charged to functions of the primary government as follows:

	<u>Depreciation</u>	<u>Net Loss</u>
Instruction	\$ 116,945	\$ 165
Curriculum and Instructional Staff Development	130,185	184
Instructional Leadership	39,222	55
General Administration	54,070	76
Facilities Maintenance and Operations	60,511	85
Data Processing Services	111,997	158
Community Services	54,067	76
School District Administrative Support Services	156,130	220
Total General Fixed Asset Depreciation	<u>\$ 723,127</u>	<u>\$ 1,019</u>
Internal Service Fund Fixed Asset Depreciation	<u>129,297</u>	
Total Depreciation	<u>\$ 852,424</u>	<u>\$ 1,019</u>

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

7. UNEARNED REVENUES

Governmental funds report unearned revenue in connection with revenues received that are not considered to be available to liquidate liabilities of the current period. Unearned revenues consisted of the following at August 31, 2020:

General Fund	\$	407,720
Special Revenue Funds		<u>4,504</u>
Total Reported on Exhibits A-1 and C-1	\$	<u><u>412,224</u></u>

8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Inflows and Outflows on the Statement on Net Position consist of the following:

	Deferred Outflows	Deferred Inflows
Pension Related (See Note 11)	\$ 4,702,274	\$ 2,395,912
OPEB Related (See Note 12)	1,649,264	6,368,137
Deferred Outflows/Inflows	<u>\$ 6,351,538</u>	<u>\$ 8,764,049</u>

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Funds	Total
Interest Income	\$ 53,451	\$ 17,786	\$ 71,237
Tuitions and Fees	197,174	252,176	449,350
Services to Member Districts	9,278,846		9,278,846
Services to Departments/Clients	67,298	925,750	993,048
Other	140,616	196,105	336,721
	<u>\$ 9,737,385</u>	<u>\$ 1,391,817</u>	<u>\$ 11,129,202</u>

10. GENERAL FUND FEDERAL SOURCE REVENUES

Federal revenues recognized in the General Fund consist of \$962,271 in indirect cost revenue.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

11. 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). TRS's defined benefit pension plan is 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 TRS.

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2019 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2019 and 2018.

Components of the net pension liability of the TRS plan as of August 31, 2019 and 2018 are as follows:

Net Pension Liability	2019	2018
Total Pension Liability	\$ 209,961,625,288	\$ 209,611,328,793
Less: Plan Fiduciary Net Position	(157,978,199,075)	(154,568,901,833)
Net Pension Liability	\$ 51,983,426,213	\$ 55,042,426,960
Net Position as Percentage of Total Pension Liability	75.24%	73.74%

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 five 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 five years of service credit or earlier than 55 with 30 years of service credit.

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NOTES TO FINANCIAL STATEMENTS

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. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's 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.

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. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of TRS during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended the Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	Contribution Rates	
	2019	2020
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	7.50%
Employers	6.80%	7.70%
2020 Employer Contributions	\$	826,652
2020 Member Contributions	\$	1,230,379
2019 NECE On-Behalf Contributions	\$	530,297

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.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

As the non-employer contributing entity for public education, the State of Texas contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.
- When the employer district is a public or charter school, the employer shall contribute 1.5% 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 Federal Old-Age, Survivors and Disability Insurance (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district 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% of the state contribution rate for certain instruction or administrative employees; and 100% 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.

Actuarial Assumptions

Roll Forward – The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019.

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

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

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NOTES TO FINANCIAL STATEMENTS

The following table discloses the assumptions that were applied to the 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
Discount Rate	7.250%
Long-Term Expected Investment Rate of Return	7.250%
Municipal Bond Rate at August 31, 2018	2.630% *
Last year ending August 31 in Projection	
Period (100 years)	2116
Inflation	2.300%
Salary Increases Including Inflation	3.050% to 9.050% including inflation
Payroll Growth Rate	2.500%
Ad hoc Post-Employment Benefit Changes	None

* - 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."

Discount Rate

The single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% 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 future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

Best estimates of geometric real rates of return for each major asset class included in TRS's 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 Returns**
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%		
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries***	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Real Return			
Global Inflation-Linked Bonds***	3.00%		
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources, and Infrastructure	5.00%	6.00%	7.30%
Risk Parity			
Risk Parity	5.00%	8.00%	****
Asset Allocation Leverage Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage		-6.00%	2.70%
Total	100.00%	100.00%	7.23%

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

** - 10-Year annualized geometric nominal returns include the real rate of return plus inflation of 2.10%

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

**** - 5.80% (6.50%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Center's Proportionate Share of the Net Pension Liability	\$ 16,615,869	\$ 10,809,563	\$ 6,105,335

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NOTES TO FINANCIAL STATEMENTS

Pension Liabilities and Pension Expense

At August 31, 2020, the Center reported a liability of \$10,809,563 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:

Center's Proportionate Share of the Collective Net Pension Liability	\$	10,809,563
State's Proportionate Share that is Associated with the Center		<u>7,876,197</u>
Total	\$	<u><u>18,685,760</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 August 31, 2018 rolled forward to August 31, 2019. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0207944% which was a decrease of 0.000323% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the Center recognized pension expense of \$1,237,240 and revenue of \$530,297 for support provided by the State.

Changes Since the Prior Actuarial Valuation

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

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rate as of August 31, 2018 was a blended rate of 6.907%, and that has changed to a long-term expected rate of return of 7.25% as of August 31, 2019.
- With the enactment of Senate Bill 3 by the 86th Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on 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 payment or \$2,000, whichever is less.

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

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NOTES TO FINANCIAL STATEMENTS

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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
	<u> </u>	<u> </u>
Differences Between Expected and Actual Economic Experience	\$ 45,410	\$ 375,325
Changes in Actuarial Assumptions	3,353,657	1,385,890
Difference Between Projected and Actual Investment Earnings	108,540	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	368,015	634,697
Contributions Paid to TRS Subsequent to the Measurement Date	<u>826,652</u>	
Total	<u>\$ 4,702,274</u>	<u>\$ 2,395,912</u>

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

	Pension Expense Amount
	<u> </u>
2021	\$ 356,088
2022	236,586
2023	423,277
2024	445,505
2025	124,768
Thereafter	(106,514)

12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The Center participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Other Post-Employment Benefit 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 <https://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019 and 2018 are as follows:

Net OPEB Liability	2019	2018
Total OPEB Liability	\$ 48,583,247,239	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	<u>(1,292,022,349)</u>	<u>(798,574,633)</u>
Net OPEB Liability	<u>\$ 47,291,224,890</u>	<u>\$ 49,930,915,470</u>
 Net Position as Percentage of Total OPEB Liability	 2.66%	 1.57%

Benefits Provided

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

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

The premium rates for retirees are presented below:

TRS-Care 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.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2019.

The following tables show contributions to the TRS-Care plan by type of contributor:

	Contribution Rates	
	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%
2020 Employer Contributions	\$	216,340
2020 Member Contributions		103,863
2019 NECE On-Behalf Contributions		272,817

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

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Projected Salary Increases	3.05% to 9.05%
Ad Hoc Post-Employment Benefit Changes	None

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

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

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

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease change of 1.06% 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.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Center's Proportionate Share of the Net OPEB Liability	\$ 16,518,109	\$ 13,681,623	\$ 11,462,638

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 1% point lower or 1% point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Center's Proportionate Share of the Net OPEB Liability	\$ 11,160,988	\$ 13,681,623	\$ 17,058,117

OPEB Liabilities and OPEB Expense

At August 31, 2020, the Center reported a liability of \$13,681,623 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the Center. The amount recognized by the Center as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Center were as follows:

Center's Proportionate Share of the Collective Net OPEB Liability	\$ 13,681,623
State's Proportionate Share that is Associated with the District	<u>18,179,817</u>
Total	<u>\$ 31,861,440</u>

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

At August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0289306% which was a decrease of 0.000226% proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the Center recognized OPEB expense of \$479,145 and revenue of \$272,817 for support provided by the State.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

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:

- This discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. The change increased the total OPEB liability.
- The 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% to 65%. The participation rate for post 65 retirees was lowered from 75% to 50%. 25% 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% to 15%. In addition, the participation assumptions for surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

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

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

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 OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 671,200	\$ 2,238,853
Changes in Actuarial Assumptions	759,907	3,680,021
Difference Between Projected and Actual Investment Earnings	1,775	299
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	42	448,964
Contributions Paid to TRS Subsequent to the Measurement Date	216,340	
Total	<u>\$ 1,649,264</u>	<u>\$ 6,368,137</u>

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

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

	<u>Pension Expense Amount</u>
2021	\$ (816,474)
2022	(816,474)
2023	(816,952)
2024	(817,225)
2025	(817,150)
Thereafter	(850,938)

13. HEALTH INSURANCE

During the year ended August 31, 2020, employees of the Center were covered by a health insurance plan. The Center contributed \$450 of the premium per month per employee. Employees, at their option, authorized payroll withholdings to pay contributions in excess of the \$450 and for dependents. Under this plan, the Center is not liable for costs incurred beyond premiums paid.

Payments made on behalf of the Center by the state for Medicare, Part D fringe benefits and salaries amounted to \$74,632 and \$58,536 for the years ended August 31, 2020 and 2019, respectively.

14. WORKERS' AND UNEMPLOYMENT COMPENSATION POOLS

During the year ended August 31, 2020, the Center met its statutory workers' compensation obligations and provided unemployment compensation coverage through participation in the 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.

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 of 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.

Workers' Compensation Pool

The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2019, the fund carries a discounted reserve of \$45,439,534 for future development on reported claims that have been incurred but not yet reported.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

For the year ended August 31, 2020, the Fund anticipates no additional liability to its members beyond their contractual obligations for payment of contributions.

Unemployment Compensation Pool

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation Pool. For the year ended August 31, 2020, the Fund anticipates that the Center has no additional liability beyond the contractual obligation for payment of contribution.

15. LITIGATION

Management represents there is no litigation pending against the Center which would have a material effect on the financial statements.

16. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

The Center participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Operating Leases

The Center has entered into several operating leases for various space and equipment items. Minimum amounts due under these lease agreements for the next three years are as follows:

2021	\$	75,551
2022		75,551
2023 and thereafter		75,551

Lease expenditures during 2019-2020 were \$78,728.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

17. SHARED SERVICE ARRANGEMENTS

The Center is the fiscal agent for five Shared Services Arrangements (SSAs) which provide services for various member school districts under federal grants. All services are provided by the fiscal agent. The Center accounts for the SSAs in special revenue funds prescribed by TEA in its FASRG. The Center utilizes the account codes and procedures outlined in the FASRG for SSAs using the applicable model.

A brief description of these models are as follows:

Model #1 – The fiscal agent receives the program funds from the granting agency and retains a portion of the monies for administrative and other services provided by the Center. The remainder of the monies flows to participating member school districts.

Model #2 – The fiscal agent receives the program funds from the granting agency and administers the program. The fiscal agent manages the SSAs financial matters, including budgeting, accounting, auditing, and reporting.

Model #3 – Member school districts and/or education service centers agree to combine resources to provide a certain service. The fiscal agent manages the SSAs financial matters, including budgeting, accounting, auditing, and reporting.

Expenditures and other applicable information on the Center's SSAs are noted below:

Program	Fund	FASRG Model #	Number of Member Districts	Member Districts	Fiscal Agent	Total
Title I, Part C - Migrant	301	1	44	\$ 512,166	\$ 536,553	\$ 1,048,719
Carl D Perkins	331	1	39	163,030	31,171	194,201
Head Start Fund	294	1	19	6,659,513	6,099,933	12,759,446
Title III, Part A English Language Acquisition	350	2	51		227,512	227,512
EDNET16 Fund	446	3	62		78,795	78,795
Information Security Officer	447	3	13		112,166	112,166
				<u>\$ 7,334,709</u>	<u>\$ 7,086,130</u>	<u>\$ 14,420,839</u>

REGION 16 EDUCATION SERVICE CENTER

NOTES TO FINANCIAL STATEMENTS

The Center's SSAs noted above are further described below:

Title I, Part C – Migrant is a federally-funded SSA that provides migrant children with the opportunity to meet the same challenging state content and performance standards that the state has established for all children.

Carl D. Perkins Career and Technology Program is a federally-funded SSA that provides funding for the education of career and technology (vocational) students.

Head Start is a federally-funded SSA that provides a comprehensive child development program qualifying three and four year old children. This SSA also provides a comprehensive child development program for qualifying pregnant women and children birth to three years old.

Title III, Part A – English Language Acquisition and Language Enhancement is a federally-funded SSA that provides training and technical assistance to school districts and charter schools allowing school districts to supplement the state required programs for limited English proficient students.

EDNET16 is funded by the local independent school district members. This SSA provides instructional technology support and equipment to the 62 independent school district members. A management committee, made up of 13 superintendents and the Center's executive director, develops the budget for this SSA.

Information Security Officer is locally funded by the 13 Education Service Center members. This SSA provides network and data security consultation, support, and equipment to its participating members.

REQUIRED SUPPLEMENTARY INFORMATION

REGION 16 EDUCATION SERVICE CENTER

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1		2	3	Variance With Final Budget Favorable (Unfavorable)
	Budgeted Amounts			Actual	
	Original	Amended			
REVENUES:					
5700	Local and Intermediate Revenues	\$ 9,489,069	\$ 9,768,769	\$ 9,737,385	\$ (31,384)
5800	State Program Revenues	2,246,108	2,187,608	2,250,856	63,248
5900	Federal Program Revenues	<u>987,274</u>	<u>907,274</u>	<u>962,271</u>	<u>54,997</u>
5020	Total Revenues	\$ <u>12,722,451</u>	\$ <u>12,863,651</u>	\$ <u>12,950,512</u>	\$ <u>86,861</u>
EXPENDITURES:					
0011	Instruction	\$ 69,106	\$ 79,106	\$ 64,160	\$ 14,946
0012	Instructional Resources & Media	27,703	37,703	28,309	9,394
0013	Curriculum & Instructional Staff Dev.	2,216,672	2,157,672	2,005,437	152,235
0021	Instructional Leadership	111,385	162,385	149,034	13,351
0041	General Administration	1,955,550	2,032,550	2,003,886	28,664
0051	Facilities Maintenance and Operations	1,527,102	1,478,902	1,431,533	47,369
0053	Data Processing Services	4,155,903	4,045,903	3,961,535	84,368
0062	School District Administrative Support	2,189,530	2,098,730	1,893,122	205,608
0081	Facilities Acquisition and Construction	<u>350,000</u>	<u>450,000</u>	<u>400,167</u>	<u>49,833</u>
6030	Total Expenditures	\$ <u>12,602,951</u>	\$ <u>12,542,951</u>	\$ <u>11,937,183</u>	\$ <u>605,768</u>
1100	Excess of Revenues Over Expenditures	\$ <u>119,500</u>	\$ <u>320,700</u>	\$ <u>1,013,329</u>	\$ <u>692,629</u>
OTHER FINANCING SOURCES:					
7912	Sale of Personal Property	\$ 2,500	\$ 500	\$ 250	\$ (250)
7915	Transfers In	91,000	91,000	78,685	(12,315)
8911	Transfers Out	<u>(13,000)</u>	<u>(53,000)</u>	<u>(53,000)</u>	<u>0</u>
7080	Total Other Financing Sources	\$ <u>80,500</u>	\$ <u>38,500</u>	\$ <u>25,935</u>	\$ <u>(12,565)</u>
1200	Net Change in Fund Balance	\$ 200,000	\$ 359,200	\$ 1,039,264	\$ 680,064
0100	September 1 - Fund Balance	<u>5,674,176</u>	<u>5,674,176</u>	<u>5,674,176</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u><u>5,874,176</u></u>	\$ <u><u>6,033,376</u></u>	\$ <u><u>6,713,440</u></u>	\$ <u><u>680,064</u></u>

REGION 16 EDUCATION SERVICE CENTER

Exhibit G-2

**SCHEDULES OF THE CENTER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31**

	<u>2020</u> <u>Plan Yr 2019</u>	<u>2019</u> <u>Plan Yr 2018</u>	<u>2018</u> <u>Plan Yr 2017</u>	<u>2017</u> <u>Plan Yr 2016</u>	<u>2016</u> <u>Plan Yr 2015</u>	<u>2015</u> <u>Plan Yr 2014</u>
Center's Proportion of the Net Pension Liability	0.0207944%	0.0211170%	0.0220922%	0.0229545%	0.0244958%	0.0194952%
Center's Proportionate Share of the Net Pension Liability	\$ 10,809,563	\$ 11,623,321	\$ 7,063,901	\$ 8,674,169	\$ 8,658,939	\$ 5,207,437
State's Proportionate Share of the Net Pension Liability Associated with the Center	<u>7,876,197</u>	<u>8,719,523</u>	<u>5,074,941</u>	<u>6,066,279</u>	<u>5,681,143</u>	<u>5,038,879</u>
Total	<u>\$ 18,685,760</u>	<u>\$ 20,342,844</u>	<u>\$ 12,138,842</u>	<u>\$ 14,740,448</u>	<u>\$ 14,340,082</u>	<u>\$ 10,246,316</u>
Center's Covered Payroll	\$ 15,361,619	\$ 15,125,196	\$ 14,971,903	\$ 14,863,010	\$ 14,438,494	\$ 10,055,651
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	70.37%	76.85%	47.18%	58.36%	59.97%	51.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates ending August 31 for each plan year.

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

REGION 16 EDUCATION SERVICE CENTER

Exhibit G-3

SCHEDULES OF CENTER CONTRIBUTIONS
FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 727,828	\$ 711,379	\$ 724,054	\$ 729,323	\$ 725,332	\$ 494,259
Contribution in Relation to the Contractually Required Contribution	<u>(727,828)</u>	<u>(711,379)</u>	<u>(724,054)</u>	<u>(729,323)</u>	<u>(725,332)</u>	<u>(494,259)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Center's Covered Payroll	\$ 15,976,754	\$ 15,361,619	\$ 15,125,196	\$ 14,971,903	\$ 14,845,949	\$ 5,553,173
Contributions as a Percentage of Covered Payroll	4.55%	4.63%	4.79%	4.87%	4.89%	8.90%

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

REGION 16 EDUCATION SERVICE CENTER

Exhibit G-4

SCHEDULES OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TEACHERS RETIREMENT SYSTEM FOR THE YEARS ENDED AUGUST 31

	<u>2020</u> <u>Plan Yr 2019</u>	<u>2019</u> <u>Plan Yr 2018</u>	<u>2018</u> <u>Plan Yr 2017</u>
Center's Proportion of the Net OPEB Liability	0.0289306%	0.0291562%	0.0298299%
Center's Proportionate Share of Net OPEB Liability	\$ 13,681,623	\$ 14,557,950	\$ 12,971,906
State's Proportionate Share of the Net OPEB Liability Associated with the Center	<u>18,179,817</u>	<u>7,344,411</u>	<u>6,403,757</u>
Total	<u>\$ 31,861,440</u>	<u>\$ 21,902,361</u>	<u>\$ 19,375,663</u>
Center's Covered Payroll	\$ 15,361,619	\$ 15,125,196	\$ 14,971,903
Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.06%	96.25%	86.64%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.73%	1.60%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule be determined as of the measurement dates ending August 31 for each plan year.

Note: This schedule shows only three years for which this information is available. Additional information will be added until ten years of data are available and reported.

REGION 16 EDUCATION SERVICE CENTER

Exhibit G-5

SCHEDULES OF CENTER CONTRIBUTIONS
FOR OTHER POST-EMPLOYMENT BENEFITS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 119,826	\$ 115,212	\$ 113,439
Contribution in Relation to the Contractually Required Contribution	<u>(119,826)</u>	<u>(115,212)</u>	<u>(113,439)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Center's Covered Payroll	\$ 15,976,754	\$ 15,361,619	\$ 15,125,196
Contributions as a Percentage of Covered Payroll	0.75%	0.75%	0.75%

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

Note: This schedule shows only three years for which this information is available. Additional information will be added until ten years of data are available and reported.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

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

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

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rate as of August 31, 2018 was a blended rate of 6.907%, and that has changed to a long-term expected rate of return of 7.25% as of August 31, 2019.
- With the enactment of Senate Bill 3 by the 86th Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on 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 payment or \$2,000, whichever is less.

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total OPEB 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 OPEB liability since the prior measurement period:

- This discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. The change increased the total OPEB liability.
- The 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% to 65%. The participation rate for post 65 retirees was lowered from 75% to 50%. 25% 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.

REGION 16 EDUCATION SERVICE CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumptions for surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

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

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

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

OTHER SUPPLEMENTARY INFORMATION

EXHIBITS H-1 THROUGH H-5

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REGION 16 EDUCATION SERVICE CENTER

Exhibit H-1
(Continued)

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020**

Data Control Codes	205	206	211	212	225	226	241	244	255	263	276	280	
		ESEA T-X Part C	ESEA T-I, Part A	ESEA T-I, Part C	IDEA Part B	IDEA Part B	Child Nutrition	Career and Technical Education	ESEA T-II, Part A	ESEA T-III, Part A	ESEA T-I SIP Academy Grant	ESC NCLB Support	
	Headstart	Homeless	Support	Migrant	Preschool	Discretionary			Training	ELA			
	93.600	84.196A	84.010A	84.011A	84.173A	84.027A	10.560	84.048A	84.367A	84.365A	84.377A	84.999	
ASSETS AND OTHER DEBITS:													
1110	Cash and Temporary Investments	\$ 60,130	\$	\$	\$	\$ 300	\$	\$	\$	\$	\$	\$	
Receivables:													
1240	Due from Other Governments		1,840	89,276	49,290	12,304	130,431	137,441	7,319	4,400	9,291	7,884	9,912
1290	Other Receivables					20							
1410	Prepayments												
1000	Total Assets	<u>\$ 60,130</u>	<u>\$ 1,840</u>	<u>\$ 89,276</u>	<u>\$ 49,290</u>	<u>\$ 12,304</u>	<u>\$ 130,751</u>	<u>\$ 137,441</u>	<u>\$ 7,319</u>	<u>\$ 4,400</u>	<u>\$ 9,291</u>	<u>\$ 7,884</u>	<u>\$ 9,912</u>
LIABILITIES:													
Current Liabilities:													
2110	Accounts Payable	\$ 16,660	\$	\$ 625	\$ 75	\$ 19,741	\$	\$ 274	\$	\$ 4,161	\$	\$	
2160	Accrued Wages Payable	43,470		1,744									
2170	Due to Other Funds		1,840	86,907	49,215	12,304	110,633	137,441	7,045	4,400	5,130	3,520	9,912
2180	Due to Other Governments					377							
2300	Unearned Revenue										4,364		
2000	Total Liabilities	<u>\$ 60,130</u>	<u>\$ 1,840</u>	<u>\$ 89,276</u>	<u>\$ 49,290</u>	<u>\$ 12,304</u>	<u>\$ 130,751</u>	<u>\$ 137,441</u>	<u>\$ 7,319</u>	<u>\$ 4,400</u>	<u>\$ 9,291</u>	<u>\$ 7,884</u>	<u>\$ 9,912</u>
FUND BALANCES:													
Restricted Fund Balance:													
3490	Other Restricted	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
3000	Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	
4000	Total Liabilities and Fund Balances	<u>\$ 60,130</u>	<u>\$ 1,840</u>	<u>\$ 89,276</u>	<u>\$ 49,290</u>	<u>\$ 12,304</u>	<u>\$ 130,751</u>	<u>\$ 137,441</u>	<u>\$ 7,319</u>	<u>\$ 4,400</u>	<u>\$ 9,291</u>	<u>\$ 7,884</u>	<u>\$ 9,912</u>

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REGION 16 EDUCATION SERVICE CENTER

**Exhibit H-1
(Concluded)**

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020**

Data Control Codes	283 Child and Adult Care Food 10.558	289 Texas Literacy Initiative 84.371C	301 SSA-T-III, Part C Migrant 84.011A	331 SSA-Carl D. Perkins Basic 84.048A	350 SSA T-III, Part A ELA 84.365A	385 Visually Impaired ESC SSVI	447 Information Security	471 Early Childhood Intervention	481 NCLB Parental Involvement	482 P-16 Council	Other State Funds	Total 2020		
ASSETS AND OTHER DEBITS:														
1110	Cash and Temporary Investments	\$	\$	\$	\$	\$	\$	69,319	\$	413,389	\$	21,766	\$	564,904
	Receivables:													
1240	Due from Other Governments	1,743	24,445	145,823	7,130	18,127	9,197	13,000	93,221	225		59,407		831,706
1290	Other Receivables									1,080				1,100
1410	Prepayments													0
1000	Total Assets	<u>\$ 1,743</u>	<u>\$ 24,445</u>	<u>\$ 145,823</u>	<u>\$ 7,130</u>	<u>\$ 18,127</u>	<u>\$ 9,197</u>	<u>\$ 82,319</u>	<u>\$ 93,221</u>	<u>\$ 414,694</u>	<u>\$ 21,766</u>	<u>\$ 59,407</u>	<u>\$</u>	<u>\$ 1,397,710</u>
LIABILITIES:														
	Current Liabilities:													
2110	Accounts Payable	\$	\$ 2,224	\$ 4,085	\$	\$ 1,314	\$	\$	\$ 320	\$ 150	\$	\$ 374	\$	50,003
2160	Accrued Wages Payable										1,679			46,893
2170	Due to Other Funds	1,743	22,221	100,178	4,205	16,813	9,197		92,901	100		59,033		734,738
2180	Due to Other Governments			41,560	2,925									44,862
2300	Unearned Revenue									140				4,504
2000	Total Liabilities	<u>\$ 1,743</u>	<u>\$ 24,445</u>	<u>\$ 145,823</u>	<u>\$ 7,130</u>	<u>\$ 18,127</u>	<u>\$ 9,197</u>	<u>\$ 0</u>	<u>\$ 93,221</u>	<u>\$ 390</u>	<u>\$ 1,679</u>	<u>\$ 59,407</u>	<u>\$</u>	<u>\$ 881,000</u>
FUND BALANCES:														
	Restricted Fund Balance:													
3490	Other Restricted	\$	\$	\$	\$	\$	\$	82,319	\$	414,304	\$	20,087	\$	516,710
3000	Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 82,319</u>	<u>\$ 0</u>	<u>\$ 414,304</u>	<u>\$ 20,087</u>	<u>\$ 0</u>	<u>\$</u>	<u>\$ 516,710</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,743</u>	<u>\$ 24,445</u>	<u>\$ 145,823</u>	<u>\$ 7,130</u>	<u>\$ 18,127</u>	<u>\$ 9,197</u>	<u>\$ 82,319</u>	<u>\$ 93,221</u>	<u>\$ 414,694</u>	<u>\$ 21,766</u>	<u>\$ 59,407</u>	<u>\$</u>	<u>\$ 1,397,710</u>

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REGION 16 EDUCATION SERVICE CENTER

Exhibit H-2
(Continued)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	205 Headstart	206 ESEA T-X Part C Homeless	211 ESEA T-I, Part A Support	212 ESEA T-I, Part C Migrant	225 IDEA Part B Preschool	226 IDEA Part B Discretionary	241 Child Nutrition	244 Career & Technical Education	255 ESEA T-II, Part A Training	263 ESEA T-III, Part A ELA	276 ESEA T-I SIP Academy Grant	280 ESEA T-I ESC NCLB Support
REVENUES												
5700 Local Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5800 State Revenue												
5900 Federal Program Revenue	<u>3,424,528</u>	<u>17,302</u>	<u>978,748</u>	<u>360,280</u>	<u>132,518</u>	<u>1,121,526</u>	<u>325,919</u>	<u>63,146</u>	<u>44,440</u>	<u>37,205</u>	<u>111,249</u>	<u>59,363</u>
5020 Total Revenues	<u>\$ 3,424,528</u>	<u>\$ 17,302</u>	<u>\$ 978,748</u>	<u>\$ 360,280</u>	<u>\$ 132,518</u>	<u>\$ 1,121,526</u>	<u>\$ 325,919</u>	<u>\$ 63,146</u>	<u>\$ 44,440</u>	<u>\$ 37,205</u>	<u>\$ 111,249</u>	<u>\$ 59,363</u>
EXPENDITURES												
0011 Instruction	\$ 2,374,962	\$	\$	\$	\$ 11,601	\$	\$	\$	\$	\$	\$	\$
0013 Curriculum & Instructional Staff Dev.	82,198		21,390	124,863	105,186	806,758		52,829		36,673	13,052	
0021 Instructional Leadership				41,038		90,692						
0023 School Leadership	158,303											
0031 Guidance, Counseling, and Evaluation						5,578						
0032 Social Work Services	295,272											
0033 Health Services	208,500											
0035 Food Services	27,923											
0051 Facilities Maintenance and Operations	276,726	374	24,873	16,912	2,617	42,958	32,677	1,073	499	532	2,204	1,321
0052 Security and Monitoring Services	644											
0053 Data Processing Services												
0061 Community Services												
0062 School District Administrative Support		16,928	932,485	177,467	24,715	163,939	293,242	9,244	43,941		95,993	58,042
0093 Payments to Fiscal Agents/Members												
6030 Total Expenditures	<u>\$ 3,424,528</u>	<u>\$ 17,302</u>	<u>\$ 978,748</u>	<u>\$ 360,280</u>	<u>\$ 132,518</u>	<u>\$ 1,121,526</u>	<u>\$ 325,919</u>	<u>\$ 63,146</u>	<u>\$ 44,440</u>	<u>\$ 37,205</u>	<u>\$ 111,249</u>	<u>\$ 59,363</u>
1100 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
OTHER RESOURCES AND (USES)												
7915 Transfers In	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
7080 Total Other Resources and (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1200 Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0100 Beginning Fund Balance - September 1, 2019	0	0	0	0	0	0	0	0	0	0	0	0
3000 Ending Fund Balance - August 31, 2020	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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REGION 16 EDUCATION SERVICE CENTER

Exhibit H-2
(Concluded)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020**

Data Control Codes	283 Child and Adult Care Food 10.558	289 Texas Literacy Initiative 84.371C	301 SSA-T-III, Part C Migrant 84.011A	331 SSA - Career & Technical Basic Grant 84.048A	350 SSA-T-III, Part A ELA 84.365A	385 Visually Impaired ESC SSVI	447 Information Security	471 Early Childhood Intervention	481 NCLB Parental Involvement	482 P-16 Council	Other State Funds	Total 2020
REVENUES												
5700 Local Revenue	\$	\$	\$	\$	\$	\$	\$ 148,321	\$ 925,750	\$ 252,176	\$ 32,284	\$	\$ 1,358,531
5800 State Revenue						130,221		471,394			302,246	903,861
5900 Federal Program Revenue	200,057	153,125	1,014,355	192,717	223,040			496,964				8,956,482
5020 Total Revenues	\$ 200,057	\$ 153,125	\$ 1,014,355	\$ 192,717	\$ 223,040	\$ 130,221	\$ 148,321	\$ 1,894,108	\$ 252,176	\$ 32,284	\$ 302,246	\$ 11,218,874
EXPENDITURES												
0011 Instruction	\$	\$	\$ 253,135	\$	\$	\$ 100,891	\$	\$ 1,301,973	\$	\$	\$	\$ 4,042,562
0013 Curriculum & Instructional Staff Dev.			23,584	29,580	218,192	26,293					191,614	1,732,212
0021 Instructional Leadership								525,326				657,056
0023 School Leadership												158,303
0031 Guidance, Counseling, and Evaluation												5,578
0032 Social Work Services												295,272
0033 Health Services								75				208,575
0035 Food Services	200,057											227,980
0051 Facilities Maintenance and Operations		3,489	13,328	107	4,848	3,037	1,818	48,194		2,128	8,277	487,992
0052 Security and Monitoring Services												644
0053 Data Processing Services							110,349					110,349
0061 Community Services			18,041					18,540				36,581
0062 School District Administrative Support		149,636	194,101						193,528	38,669	65,906	2,457,836
0093 Payments to Fiscal Agents/Members			512,166	163,030							36,449	711,645
6030 Total Expenditures	\$ 200,057	\$ 153,125	\$ 1,014,355	\$ 192,717	\$ 223,040	\$ 130,221	\$ 112,167	\$ 1,894,108	\$ 193,528	\$ 40,797	\$ 302,246	\$ 11,132,585
1100 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,154	\$ 0	\$ 58,648	\$ (8,513)	\$ 0	\$ 86,289
OTHER RESOURCES AND (USES)												
7915 Transfers In	\$	\$	\$	\$	\$	\$	\$ 13,000	\$	\$	\$	\$	\$ 13,000
7080 Total Other Resources and (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,000
1200 Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,154	\$ 0	\$ 58,648	\$ (8,513)	\$ 0	\$ 99,289
0100 Beginning Fund Balance - September 1, 2019	0	0	0	0	0	0	33,165	0	355,656	28,600		417,421
3000 Ending Fund Balance - August 31, 2020	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,319	\$ 0	\$ 414,304	\$ 20,087	\$ 0	\$ 516,710

REGION 16 EDUCATION SERVICE CENTER

Exhibit H-3

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2020

	Proprietary Fund Type			Totals
	Internal Service Funds			
	750	752	754	
Plant	Print Shop	Computer Operations		
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 284,593	\$	\$	\$ 284,593
Due from Other Governments		30,313		30,313
Other Receivables		76		76
Inventories		51,091	15,281	66,372
Prepayments	55,159		18,655	73,814
Total Current Assets	\$ 339,752	\$ 81,480	\$ 33,936	\$ 455,168
Noncurrent Assets:				
Furniture and Equipment	\$ 190,576	\$ 41,708	\$ 1,495,551	\$ 1,727,835
Accumulated Depreciation	(172,148)	(41,708)	(1,227,094)	(1,440,950)
Total Noncurrent Assets	\$ 18,428	\$ 0	\$ 268,457	\$ 286,885
Total Assets	\$ 358,180	\$ 81,480	\$ 302,393	\$ 742,053
LIABILITIES:				
Accounts Payable	\$ 77,853	\$ 8,927	\$ 2,470	\$ 89,250
Accrued Wages Payable			348	348
Due to (from) Other Funds	(125,939)	28,729	97,210	0
Total Liabilities	\$ (48,086)	\$ 37,656	\$ 100,028	\$ 89,598
NET POSITION:				
Net Investment in Capital Assets	\$ 18,428	\$	\$ 268,457	\$ 286,885
Unrestricted Net Position	387,838	43,824	(66,092)	365,570
Total Net Position	\$ 406,266	\$ 43,824	\$ 202,365	\$ 652,455

REGION 16 EDUCATION SERVICE CENTER

Exhibit H-4

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Proprietary Fund Type			Totals
	Internal Service Funds			
	750 Plant	752 Print Shop	754 Computer Operations	
REVENUES				
Operating Revenues and Charges for Services	\$ 1,188,441	\$ 171,489	\$ 829,901	\$ 2,189,831
Other Revenue	<u>3,552</u>	<u>35,329</u>		<u>38,881</u>
Total Revenues	\$ <u>1,191,993</u>	\$ <u>206,818</u>	\$ <u>829,901</u>	\$ <u>2,228,712</u>
OPERATING EXPENSES				
Payroll Costs	\$ 452,582	\$ 66,793	\$ 366,023	\$ 885,398
Professional and Contracted Services	587,466	116,409	245,229	949,104
Supplies and Materials	109,898	52,385	46,450	208,733
Other Operating Expense	65,982	46	966	66,994
Depreciation	<u>5,057</u>	<u>2,888</u>	<u>121,352</u>	<u>129,297</u>
Total Operating Expenses	\$ <u>1,220,985</u>	\$ <u>238,521</u>	\$ <u>780,020</u>	\$ <u>2,239,526</u>
Income (Loss) Before Transfers	\$ (28,992)	\$ (31,703)	\$ 49,881	\$ (10,814)
Transfers In		<u>40,000</u>		<u>40,000</u>
Change in Net Position	\$ (28,992)	\$ 8,297	\$ 49,881	\$ 29,186
Beginning Net Position - September 1, 2019	<u>435,258</u>	<u>35,527</u>	<u>152,484</u>	<u>623,269</u>
Ending Net Position - August 31, 2020	\$ <u><u>406,266</u></u>	\$ <u><u>43,824</u></u>	\$ <u><u>202,365</u></u>	\$ <u><u>652,455</u></u>

REGION 16 EDUCATION SERVICE CENTER

Exhibit H-5

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020**

	Proprietary Fund Type			
	Internal Services			Totals
	750	752	754	
Plant	Print Shop	Computer Operations		
CASH FLOWS FROM OPERATING ACTIVITIES				
Charges to Users	\$ 3,822	\$ 8,687	\$	\$ 12,509
Assessments to Other Funds	1,263,326	163,930	762,883	2,190,139
Transfers from Other Funds		40,000		40,000
Payments to Employees for Services	(452,582)	(66,793)	(365,744)	(885,119)
Payments for Contracted Services	(587,466)	(116,409)	(245,229)	(949,104)
Payments to Suppliers	(108,902)	(29,369)	(43,066)	(181,337)
Payments for Other Operating Expenses	(65,982)	(46)	(966)	(66,994)
Net Cash From Operating Activities	<u>\$ 52,216</u>	<u>\$ 0</u>	<u>\$ 107,878</u>	<u>\$ 160,094</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Acquisition of Capital Assets	<u>\$</u>	<u>\$</u>	<u>\$ (107,878)</u>	<u>\$ (107,878)</u>
Net Cash From Investing Activities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (107,878)</u>	<u>\$ (107,878)</u>
NET CHANGE IN CASH	\$ 52,216	\$ 0	\$ 0	\$ 52,216
CASH - BEGINNING OF PERIOD	<u>232,377</u>	<u>0</u>	<u>0</u>	<u>232,377</u>
CASH - END OF PERIOD	<u>\$ 284,593</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 284,593</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (28,992)	\$ 8,297	\$ 49,881	\$ 29,186
Changes in Assets and Liabilities				
Change in Due from Other Governments		(26,842)		(26,842)
Change in Due to/from Other Funds	74,885	(7,559)	(67,326)	0
Change in Other Receivables	270	200	308	778
Change in Inventories		18,971	171	19,142
Change in Prepaid Expenses	(55,159)		2,581	(52,578)
Change in Accounts Payable and Other Liabilities	56,155	4,045	911	61,111
Depreciation	<u>5,057</u>	<u>2,888</u>	<u>121,352</u>	<u>129,297</u>
Net Cash From Operating Activities	<u>\$ 52,216</u>	<u>\$ 0</u>	<u>\$ 107,878</u>	<u>\$ 160,094</u>

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

Independent Auditor's Report

Board of Directors
Region 16 Education Service Center
Amarillo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Region 16 Education Service Center (the Center) as of and for the year ended August 31, 2020, and related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region 16 Education Service Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of Region 16 Education Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Region 16 Education Service Center's internal control.

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

Our consideration of internal control 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 over financial reporting that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region 16 Education Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 5, 2021

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Directors
Region 16 Education Service Center
Amarillo, Texas

Report on Compliance for Each Major Federal Program

We have audited Region 16 Education Service Center's (the Center) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended August 31, 2020. Region 16 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Region 16 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 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 the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Region 16 Education Service Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Region 16 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 other major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

Management of Region 16 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 the 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 5, 2021

FEDERAL FINANCIAL ASSISTANCE SECTION

REGION 16 EDUCATION SERVICE CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

Material weakness(es) identified? yes x no

Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
84.010A	ESEA Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes no

B. Section II - Findings Related to the Financial Statements

None Noted

C. Section III - Findings and Questioned Costs Related to the Federal Awards

None Noted

REGION 16 EDUCATION SERVICE CENTER

**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020**

Prior Year's Finding/Noncompliance

N/A

Status of Prior Year's Finding/Noncompliance

N/A

REGION 16 EDUCATION SERVICE CENTER

Exhibit K-1
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Texas Education Agency</i>				
Title I Parent and Family Engagement Initiative (211)	84.010A	196101167110001		\$ 138,076
Title I ESC Comprehensive School Support (211)	84.010A	196101407110016		92,244
Title I School Improvement Facilitation (211)	84.010A	196101547110016		96,022
Title I Parent and Family Engagement Initiative (211)	84.010A	206101167110001		258,890
Title I, TX Instructional Leader Expansion (211)	84.010A	206101457110016		44,968
ESC ESSA Basic Services Initiative (211)	84.010A	206101197110016		48,998
ESC Comprehensive School Support Cycle 2 (211)	84.010A	206101537110016		364,940
Total CFDA 84.010A				\$ 1,044,138
ESEA Title I, Part C - Migratory Children (212)	84.011A	196150027110016	\$	\$ 15,724
ESEA Title I, Part C - Migratory Children (212)	84.011A	206150027110016		369,505
SSA - ESEA Title I, Part C - Migratory Children (301)	84.011A	19615001188950		41,233
SSA - ESEA Title I, Part C - Migratory Children (301)	84.011A	20615001188950	512,166	1,007,485
Total CFDA 84.011A			\$ 512,166	\$ 1,433,947
Career and Technical - ESC Texas EcoSystem Design (244)	84.048A	194200637110016	\$	\$ 10,000
Career and Technical - ESC CTE Leadership (244)	84.048A	204200097110016		23,671
Career and Technical - ESC CTE ADMIN/PBM (244)	84.048A	204200107110016		33,795
SSA - Carl D. Perkins - Basic Grant (331)	84.048A	20420006188950	163,030	194,201
Total CFDA 84.048A			\$ 163,030	\$ 261,667
ESC TX Instructional Leadership Expansion (255)	84.367A	196945737110016		31,592
Equity Plan Support (255)	84.367A	196945647110016		15,888
Total CFDA 84.367A				\$ 47,480
Title III, Part A - English Language Acquisition (263)	84.365A	206710027110016		\$ 39,753
SSA - Title III, Part A - English Language Acquisition (350)	84.365A	19671001188950		16,358
SSA - Title III, Part A - English Language Acquisition (350)	84.365A	20671001188950		211,153
Total CFDA 84.365A				\$ 267,264
Reading Academy Authorized Providers (276)	84.377A	166107387110016		\$ 14,137
ESC Instructional Continuity Training (276)	84.377A	176107417110016		104,726
Total CFDA 84.377A				\$ 118,863
ESC PFE Council Statewide Grant (289)	84.424A	196801097110001		\$ 68,353
Title IV, Part A - ESC Mental Behavioral (289)	84.424A	196801107110016		29,428
Title IV, Part A - ESC Technical Assistance (289)	84.424A	196801057110016		65,833
Total CFDA 84.424A				\$ 163,614
ESC Capacity Building Grant (206)	84.196A	194600087110016		\$ 18,486
ESC ESSA - Basic Services Initiative (280)	84.999	206000117110016		\$ 63,426
Total Passed Through Texas Education Agency			\$ 675,196	\$ 3,418,885
<i>Passed Through Texas Health and Human Services Commission</i>				
Special Education for Infants & Families with Disabilities (471)	84.181A	HHS000191200022		\$ 336,370
Total Passed Through Texas Health and Human Services Commission				\$ 336,370
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 675,196	\$ 3,755,255
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Direct Programs</i>				
Head Start (205)	93.600	06CH10104-05-01	\$	\$ 3,149,456
Head Start (205)	93.600	06CH011606-06-01		509,792
SSA - Head Start (294)	93.600	06CH10104-05-01	6,631,341	11,125,498
SSA - Head Start (294)	93.600	06CH011606-06-01	28,173	1,633,948
Total CFDA 93.600			\$ 6,659,514	\$ 16,418,694
Total Direct Programs			\$ 6,659,514	\$ 16,418,694
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 6,659,514	\$ 16,418,694

REGION 16 EDUCATION SERVICE CENTER

Exhibit K-1
(Concluded)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Texas Department of Agriculture</i>				
Child and Adult Care Food Program (283)	10.558	CACFP 03117		\$ 200,057
Child Nutrition (241)	10.560	1971700351016		\$ 36,027
Child Nutrition (241)	10.560	2071700351016		312,181
Total CFDA 10.560				<u>\$ 348,208</u>
Total Passed Through Texas Department of Agriculture				<u>\$ 548,265</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>\$ 548,265</u>
CLUSTER PROGRAMS				
Special Education Cluster (IDEA)				
<i>U.S. Department of Education Passed Through Texas Education Agency</i>				
ESC IDEA-B Statewide PD for Special Ed. (226)	84.027A	196600617110006		\$ 34,515
ESC IDEA-B Leadership (226)	84.027A	206600567110016		838,744
Special Education Liaison Grant (226)	84.027A	206600657110016		147,791
ESC IDEA-B Sensory Impairments (226)	84.027A	206600227110016		35,884
ESC IDEA-B Access to General Curriculum (226)	84.027A	206600587110016		102,333
ESC IDEA-B PBIS (226)	84.027A	20660597110016		28,243
ESC IDEA-B FIEP and Charter Support (226)	84.027A	206600571889506000		10,203
ESC IDEA-B Preschool (225)	84.173A	206610227110016		141,587
Total IDEA, Part B Passed Through Texas Education Agency				<u>\$ 1,339,300</u>
<i>U.S. Department of Education Passed Through Texas Health and Human Services Commission</i>				
IDEA, Part B - Discretionary (471)	84.027A	HHS000191200022		\$ 29,294
Total Special Education Cluster (IDEA)				<u>\$ 1,368,594</u>
TANF Cluster				
<i>U.S. Department of Health and Human Services Passed Through Texas Health and Human Services Commission</i>				
Temporary Assistance for Needy Families (471)	93.558	HHS000191200022		\$ 160,281
Total TANF Cluster				<u>\$ 160,281</u>
Medicaid Cluster				
<i>U.S. Department of Health and Human Services Passed Through Texas Health and Human Services Commission</i>				
Medicaid Administrative Claiming Program (471)	93.778	HHS000191200022		\$ 24,003
Total Medicaid Cluster				<u>\$ 24,003</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,334,710</u>	<u>\$ 22,275,092</u>

REGION 16 EDUCATION SERVICE CENTER

**NOTES TO THE SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Region 16 Education Service Center under programs of the federal government for the year ended August 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Summary of Significant Accounting Policies

- (A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (B) Region 16 Education Service Center is not eligible to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance because the Center has previously received a negotiated indirect cost rate for its federal awards.